

ay July 30

Australia	54.45	Indonesia	10.00	Pakistan	8.00
Canada	54.45	Japan	10.00	Philippines	8.00
France	54.45	South Korea	10.00	Singapore	8.00
Germany	54.45	Taiwan	10.00	Thailand	8.00
Italy	54.45	USA	10.00	UK	8.00
Spain	54.45	Other	10.00		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

SOVIET UNION
Bolshevism at the
mercy of republics
Page 21

FT No. 31,213

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Tuesday July 31 1990

£ D 8523A

World News Business Summary

Moscow to restore ties with Albania broken in 1961

The Soviet Union said it had agreed to restore diplomatic ties with Albania, broken off in 1961 during Moscow's ideological split with China. The agreement was reached during talks between Soviet and Albanian delegations on June 30 in the Bulgarian capital of Sofia, and in Tirana, the Albanian capital, yesterday. Page 2

Trinidad TV blaze

Trinidad and Tobago's television station, one of the headquarters of the Black Muslims who have taken hostage the country's Prime Minister, was set on fire following an outbreak of shootings and bombings nearby. Page 22

Libyan massacre

Troops loyal to Libyan President Muammar Gaddafi massacred at least 600 refugees, including babies, sheltering in a church in the Libyan capital of Tripoli. Page 4

Demands on Burma

Burma's opposition National League for Democracy has called on the military government to release all political prisoners, and curb on civil liberties and step down in favour of a new parliament by September. Page 4

Blockade of Aoun

Lebanon's Syrian-backed Government began blocking fuel supplies to areas controlled by Christian General Michel Aoun in a bid to make him surrender. Page 2

German arsenal plan

East Germany's plan to spend nearly \$1.1bn (£600m) on new weapons for its army, before it is dissolved with German unification, is causing dismay. Page 2

Europe axis 'dead'

The Paris-Bonn axis on which France and West Germany have centred most of their European policy for 30 years was pronounced dead by one of its leading architects, former French President Valéry Giscard d'Estaing. Page 2

Ukraine defiant

The Ukraine, stepping up its defiance of Moscow, demanded the return of all Ukrainians doing national service in the Soviet army. Page 2

Segregation to go

The South African Government is likely to repeal the Group Areas Act, enforcing residential segregation, early next year. Page 4

Asian trade fear

The second ministerial meeting of the 12-member Asian-Pacific Economic Co-operation group, opened with delegates expressing deep anxiety about the lack of progress in the 105-nation Uruguay Round. Page 3

AIDS murder threat

Australia said a spate of robberies involving syringes believed to be filled with AIDS-infected blood has prompted the state of New South Wales to amend its murder laws. Page 3

Atoll use disputed

The incineration of US nerve and mustard gas on remote Johnston Atoll could inflame an otherwise placid 21st South Pacific Forum. Page 4

Chicago black-out

A black-out continued to affect tens of thousands of Chicago residents following a fire at an electricity company transformer on Saturday night and 49 arrests were made after sporadic looting. Page 6

Shake-up in Peru

The first act of Alberto Fujimori after being sworn in as Peru's new President was to remove the head of the Joint Chiefs of Staff, who is also in charge of the navy, and the head of the air force. Page 6

Soviet Union plans to set up one rate of exchange

Soviet central bank revealed that the government would probably scrap a system of 2,000 different exchange rates for Soviet enterprises, replacing it with a single devalued rate. Page 22

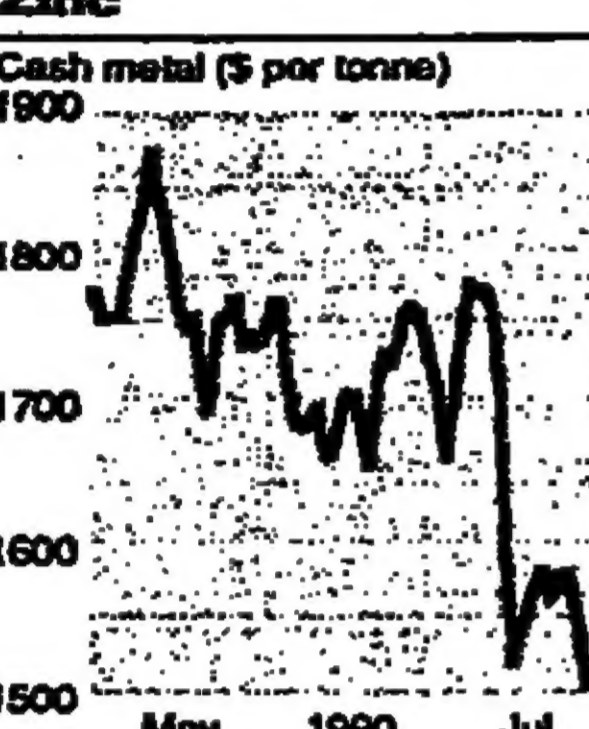
US Congress asked

to approve big new funds for the politically unpopular savings and loan rescue before this November's mid-term elections. Page 22

ZINC prices were down

to the lowest level since the beginning of March on the London Metal Exchange because of West German trade selling and chart-based speculative liquidation. It fell \$55

Zinc



to \$1,507.50 a tonne. Page 34

MARKETS: In Tokyo the Nikkei average lost 420.53 to 30,442.95. In Frankfurt the DAX index eased 8.12 to 1,911.69 and in Paris the CAC 40 index lost 10.44 to 1,944.93 as equities continued to fail to attract investors. Back Page, Section II

HAFSLUND Nymedex

pharmaceutical concern which is one of Norway's largest publicly quoted companies, saw second quarter profits slip to Nkr255m (\$40.9m) from Nkr283m in the first quarter. Page 23

DRESKNER Bank

West Germany's second-largest bank group, reported an 8.9 per cent rise in first half group partial operating profit and said it expected 1990 group earnings to surpass 1989's record levels. Page 23

US-CANADA: Free Trade

Agreement's compatibility with Canada's obligations under the General Agreement on Tariffs and Trade was called into question in a report to the GATT Council. Page 3

COLOROLL, UK consumer

products group which collapsed last month, has lost Kosmet Carpets, one its largest companies, in a management buy-out worth around £17m. (\$30.9m) Page 7

WANG Laboratories

struggling US office computer manufacturer, reported a fourth-quarter net loss of \$496.7m. Page 23

RATNERS Group

UK jewellery retailer which has offered to acquire US Kay Jewelers in a deal valued at \$12.2m, is meeting Kay's bondholders who are threatening to scuttle the deal. Page 23

US Treasury bonds

moved higher in a continued reaction to Friday's set of weak second-quarter gross national product figures. Page 23

POWERGEN, UK state-owned

electricity company being prepared for privatisation, has been urged by unions to consider a management-employee buy-out. Page 22

BEWE, West German private

retailer, has agreed with Co-op, struggling food retailer, to take over its 400 stores in the south and south-east of West Germany in October. Co-op said. Page 24

PERKINS, UK-headquartered

diesel engines subsidiary of Vauxhall Corporation has agreed a long-term engine sales collaboration agreement with Navistar, North American truck and diesel engine manufacturer. Page 28

British MP killed by car bomb was on IRA 'hit list'

By Andrew Taylor and John Authers in London

MR IAN GOW, MP, a former British Treasury Minister who resigned from the Thatcher Government five years ago in protest against the Anglo-Irish agreement, was killed by a car bomb yesterday outside his home near Eastbourne on the south coast of England.

Commander George Churchill-Coleman, head of Scotland Yard's anti-terrorist squad, said he was convinced that Mr Gow had been killed by the IRA. Mr Gow's name, he said, had been on a "hit list" of 100 leading figures found in a terrorist hideout at Clapham in south London in December 1988.

Mr Gow, he said, had been killed by a 2lb-5lb bomb which detonated under his car as he

left his home at about 8.30am yesterday.

The bomb had probably been placed beneath the driver's seat late on Sunday night or early yesterday morning. It would have exploded immediately Mr Gow got into the car.

Police said Mr Gow was still alive when emergency services reached his home but died shortly afterwards.

Mrs Margaret Thatcher, the British Prime Minister, described the death of Mr Gow, her parliamentary private secretary between 1979 and 1983 and a close personal friend, as a "gruesome loss."

A reappraisal of MPs' safety is likely to follow the murder. Only politicians of Cabinet rank, ministers in the North-

ern Ireland Office and top civil servants qualify for 24-hour protection.

"Many Members of Parliament, indeed all of them, have been given advice to have special regard to their safety," Mrs Thatcher said during a visit to Mr Gow's home at Hankham yesterday afternoon. "I make one plea. That they take that advice very seriously for themselves, their family and their staff."

She said that continual observation must become a vital part of MPs' lives.

The killing would be the 13th attack by the IRA in mainland Britain since February. It came 10 days after an IRA bomb exploded at the London Stock Exchange.

Mr Gow, who was 53, leaves a wife, Jane, and two grown-up sons. He had been MP for Eastbourne since 1974 and is the fourth MP since 1979 to have been killed by Irish Republican terrorists.

Mr Airey Neave, then opposition spokesman on Northern Ireland for the Conservative Party, was killed in a car bomb explosion at the House of Commons in April 1979.

The Rev Robert Bradford, Unionist MP for South Belfast, was shot dead by the IRA in November 1981. Sir Anthony Berry, Conservative MP, died when the IRA bombed the Grand Hotel in Brighton in October 1984.

Mrs Thatcher yesterday vowed that there would be no

let up in the Government's campaign against terrorism. She said Mr Gow, a strong supporter of the Unionist cause in northern Ireland, had worked closely with her and Airey Neave in opposition.

"Ian would be the first to say, like Airey, that the terrorist must never win. If he could speak to me he would say: 'We fight that battle against them. We bring them to justice and find them guilty for what they have done.' That is how we shall carry on."

Mr Neil Kinnock, leader of the opposition Labour Party, said: "No one must be daunted."

Continued on Page 22



Ian Gow: took a hard line on the IRA

STC to use Fujitsu £743m for expansion in telecoms

By Hugo Dixon and Alan Cane in London

STC, the UK electronics group, intends to use the £743m (£1.35bn) it is receiving from Fujitsu of Japan for 80 per cent of ICL, its computer subsidiary, to finance an expansion in telecommunications, the second main leg of its business.

The company admitted yesterday that it might itself now become subject to an outright takeover.

Mr Arthur Walsh, STC's group executive chairman, refused to express a firm preference between being taken over and building up STC's telecommunications activities as an independent group.

STC announced yesterday a 33 per cent decline in pre-tax profits for the six months to July 1. Although the group had previously issued a profits warning, the eventual outturn of £78m contributed to a 21p decline in the share price to 287p.

ICL's shares will be floated on the London stock market after it has been taken over by Fujitsu, it emerged yesterday.

The terms of the deal, which was signed yesterday morning in London by Mr Takuma Yamamoto, chairman of Fujitsu Ltd and Mr Walsh, indicate that Fujitsu will seek a listing for ICL within five years, subject to the listing being in the best interests of ICL and its shareholders.

Fujitsu said that it would be looking for a minimum price of 25p a share, valuing ICL at about £1.2bn.

Under the London Stock Exchange rules, at least 25 per cent of a company's equity has

to be floated. The two companies indicated they had agreed that if the minimum stake was floated, STC would provide 35 per cent and Fujitsu 10 per cent.

Mr Walsh said that STC had not yet decided whether it would sell its entire holding at the time of flotation.

Mr Yamamoto said the purpose of the flotation would be to confirm that ICL was "a real European company."

The sale of ICL "gives the telecommunications side of the company massive resources to develop its side of the business," Mr Walsh said.

He outlined a strategy to knit together a group of smaller European telecommunications companies which have expertise in transmission systems, the area where STC has concentrated.

He mentioned Philips of the Netherlands, Bosch of West Germany, Telettra of Italy and Nokia of Finland as possible partners.

However, Mr Walsh said that he had had discussions with Northern Telecom about the Canadian telecommunications manufacturer, which already owns 27 per cent of STC, increasing its stake in the group.

"We have talked about closer integration of our companies," But he was anxious to dismiss speculation that a Nortel bid was imminent, denying that STC had received any formal or informal bid approaches.

"If they (Nortel) want to buy more (shares), I would not necessarily resist it," Mr



Tadaaki Sekizawa (right), Fujitsu president, and Michio Narita, managing director, in Tokyo yesterday announcing the purchase of a majority stake in ICL.

Walsh said. "It depends on the price."

Another STC executive revealed that Fujitsu had said that now it had completed the negotiations on ICL, it would like to talk about co-operation in telecommunications.

Mr Yamamoto made it clear

yesterday that the acquisition of ICL, which effectively doubles Fujitsu's international operations, was a boost to the company's plans to become a

Continued on Page 22

Lex, Page 22; STC weighs its options, Page 23; Details, Page 31

Ball pays \$1bn for European interests of Continental Can

By Nikki Tait in New York and Maggie Urry in London

BALL Corporation, the Indiana-based packaging and aerospace products group, is buying Continental Can's European packaging interests for \$1.025bn. The deal makes Ball one of the largest packaging groups in Europe, and takes it into food packaging.

The CC Europe businesses are being sold by CC's parent company, Peter Kiewit Kiewit, a privately owned company whose main business is in construction, will receive a 29 per cent voting stake in Ball through the deal.

The businesses include Schmalbach-Lubeca in Germany, Thomassen & Drivervet in Holland, Continental Can UK, Continental PET France, CC Europe is seen as a dominant player in northern Europe, but lacking strength in the fast expanding markets of southern Europe.

Ball's move follows significant restructuring in the European packaging industry. Early last year Metalbox Packaging of the UK and Carnaud of France merged to form CMB

Packaging, now the largest packaging group in Europe, while Peckhiney, the French aluminium group, acquired American National Can.

Ball is also buying the outstanding 50 per cent interest in its Ball-InCon commercial glass container joint venture from Holland-American Investment Corporation for \$65m.

Together, the two deals will effectively triple Ball's annual sales which were \$1.2bn in 1989, of which \$780.9m came from packaging. Ball InCon's sales last year were \$638m.

Ball, the fifth-largest producer of beer and soft drink cans in the US, has tried to enter the European packaging industry before. In 1989, it intervened in the Metalbox-Carnaud negotiations by joining Elders IXL of Australia, in an unsuccessful \$550m (\$1.5bn) consortium bid to buy Metalbox. Earlier Ball formed a can-making joint-venture with PLM of Sweden in Berlin, Germany, but this lost money and it pulled out in 1987.

Yesterday Ball said that it expected significantly higher

industry growth rates in Europe than in the US, in the run-up to the single market and with the potential of eastern Europe. Further, there should be scope for bringing its own technology to bear on CC Europe's beverage operations.

Ball said that there should be no earnings dilution in 1991 as a result of the deal, however, some US analysts felt that the price was expensive. "My initial feeling is that this is strategically positive," commented one, "but it's a big, big step for them."

Under the deal, Kiewit will receive \$255m in cash and \$400m in paper. The cash portion will take Ball's gearing to about 60 per cent, while the paper portion comprises \$200m of common stock, \$125m of voting and \$71m of non-voting convertible exchangeable preferred stock.

Last year, CC Europe had sales of \$1.47bn of which about one third came on the beverage side. Its major customers include Coca Cola - for which it has recently

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Why pressures are growing on administrators of Hong Kong

If Hong Kong had a democratically elected government, it would by now be in terrible trouble. Consensus is reached by top civil servants led by the governor, Sir David Wilson (left). Policy is shielded by advisers. Page 20

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MARKETS

STERLING New York: 1.845 (1.8375) London: 1.845 (1.8375) DM2.9675 (2.9625) FF9.9425 (9.2) SF2.5175 (2.51) Y23.25 (274.5) Index: 94.1 (93.5) GOLD New York: 368.0 (368.0) London: 368.0 (368.0) N SEA OIL (Argus) Brent 15-day Sep: 19.5 (19.525) Chief price changes yesterday: Page 23	DOLLAR New York close: DM1.60875 (1.6115) FF5.387 (5.3955) SF1.3645 (1.3615) Y148.35 (149.0) Index: 148.35 (149.0) DM1.6085 (1.6145) FF5.39 (5.4075) SF1.3645 (1.368) Y148.2 (149.5) S index 64.7 (65.1) Tokyo close: Y148.5 US closing rates: Fed Funds 7 1/8% (8) 3-mo Treasury Bill: yield: 7.75% (7.77) Long Bond: 105 1/8 (100 3/8) yield: 8.4% (8.47)	STOCK INDICES FT-SE 100: 2,318.5 (-13.8) FT All-Share: 1,636.1 (-4.0) FT-A: 1,428.7 (-0.5%) FT-A World Index: New York close: DJ Ind. Av. 2,917.33 (+18.82) S&P Comp. 355.55 (+2.11) Tokyo: Nikkei 30,442.95 (-420.53) LONDON MONEY 2-month interest: closing 15-14 1/2 (14 1/2) Life long gilt future: Sep 85 1/2 (85 1/2)
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EUROPEAN NEWS

Giscard consigns Paris-Bonn axis to the dustbin of history

By George Graham in Paris

THE Paris-Bonn axis on which France and West Germany have centred most of their European policy efforts for the last 30 years was yesterday pronounced dead by one of its leading architects.

Mr Valéry Giscard d'Estaing, who as French President between 1974 and 1981 helped to develop the Franco-German partnership into the cornerstone of the European Community, said that the dialogue between the two countries was no longer at

the heart of the European debate.

"Franco-German intimacy is no longer at the centre of the process of European union. We must recognise this, for it is a considerable change for us," the former President said in an interview with the *Figaro* newspaper.

Tracing a line from Jean Monnet and Robert Schuman, through General de Gaulle and Chancellor Adenauer, to his own relationship with Mr Helmut Schmidt, his West German opposite number, Mr Giscard said

that the reconciliation between West Germany and France had since 1948 been viewed as the motor of European union.

"From the beginning of this year, however, the leaders of federal Germany have given priority to two other dialogues: dialogue with the United States on security, and dialogue with the Soviet Union on unification."

Mr Giscard said that this explained why the recent Franco-German initiative to press for European

political union was so vague.

Criticising the failure of politicians to take full account of the change in Europe, he called for the current technical discussions on European political union, which have been overtaken by events, to be put back on the rails by Europe's political leaders.

He reserved some of his sharpest criticism for the stifling of the process of monetary union in a welter of technicalities.

"Under the influence, notably, of

the central bank governors, the debate on European monetary union has drifted for the last three years towards a discussion restricted to insiders on the convergence of monetary policies. This pleases both those who hope to delay the arrival of a European currency by adding to the obstacles in its path, and those who hope to return on the European level to an active interventionism which we have got rid of on the national level."



Giscard: critical of politicians

Italy plays host to new regional allies

By John Wyles in Rome

ITALY'S success in carving out a regional role for itself in central-southern Europe will be publicly celebrated today and tomorrow in Venice.

Mr Giulio Andreotti, the Prime Minister, and Mr Gianni De Michelis, his Foreign Minister, play host there to the first heads of government meeting of the "pentagonale" — a grouping redolent of the old Austro-Hungarian empire, which brings together Italy, Austria, Hungary, Czechoslovakia and Yugoslavia.

Launched last November by four of the five, without Czechoslovakia, which was then in the throes of political change, the grouping has been partly conceived as a tactical group — a "pentagonale" — and partly as a forum for those newly democratised east European countries which may one day become members of the European Community.

This makes Yugoslavia's presence slightly anomalous, as free elections at a federal level are not yet held. But Mr De Michelis has always been convinced that the rules should be bent to save this country from a political collapse which could have profound regional implications.

With his architect's eye for Europe's future political structures, Mr De Michelis has chosen to hold tomorrow's heads of government session in the 15th-century Venetian of the Helms Final Act. The symbolism is meant to emphasise that the "pentagonale" is a form of collaboration in the spirit of Helms which also looks forward to when the Conference on Security and Co-operation in Europe becomes the forum linking east and west in one political and security structure.

But the immediate, more mundane, concerns in Venice will be to launch a political declaration explaining the aims and objectives of the "pentagonale" and to endorse a series of economic and cultural collaborations. As Italy took over the presidency of the EC on July 1, it also assumed the presidency of the "pentagonale" for 12 months and has set up a small secretariat in its foreign ministry.

Italy is quite deliberately trying to encourage collaboration practices long since taken for granted in the EC. Thus, the five's ambassadors have begun meeting to concert their efforts in capitals such as Moscow and Washington, while the group is also co-ordinating its positions in the United Nations and the Council of Europe.

Italy is, however, sensitive to suggestions that its construction of a regional alliance may conflict with efforts to build a single EC foreign policy. Mr De Michelis and his officials hold that the "pentagonale" is complementary to the Community because it brings former Communist countries and an aspirant EC member, Austria, into closer association with it. They compare it to the temporary scaffolding surrounding a building under construction.

The economic document to be approved in Venice is the fruit of the labours of seven working parties. Projects, and in some cases their financing, will be identified for the next three years in areas such as transport, the environment, telecommunications, science and technology, information, small and medium-sized business and culture.

Kurds ambush Turkish soldiers

KURDISH separatists killed seven soldiers, including a garrison commander, in an ambush in south-east Turkey on Sunday night after losing about 30 fighters in gun battles, writes Jim Bodger in Ankara. The semi-official Anatolian news agency reported that at least 30 Marxist Kurdish Workers Party (PKK) rebels, nine soldiers and two civilian village guards had been killed in clashes in the region last week and at the weekend.

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Markovic prepares for a legendary struggle

By Laura Silber in Belgrade

A SERBIAN legend tells of Duke Gorko, who built the city walls around Shkodra by day, while spirits destroyed his work by night.

Mr Ante Markovic, the Yugoslav Prime Minister, resembles the mythical Gorko as he fights against entrenched opposition in the six republics to build a market economy.

At a rally attended by tens of thousands in the central republic of Bosnia-Herzegovina on Sunday, Mr Markovic, 64, announced that he would form "an alliance of reformist forces" to build a new and prosperous Yugoslavia.

But his federal Government's plan for an alliance of parties has met with strong opposition from the republics, particularly Serbia, the biggest republic, which sees a pan-Yugoslav party as a threat to its own authority.

Opinion polls published in the Yugoslav federal newspaper, *Borba*, show high popular support for the federal Government.

Seventy-nine per cent of Yugoslavs surveyed said they would vote for the Government, which curbed last year's hyperinflation and introduced the convertibility of the dinar. Yugoslavs have rallied to Mr Markovic's contagious optimism as a counterpoint to the gloomy nationalist rhetoric of the local republican leaders.

The Prime Minister recently completed a month-long tour of the country, where he met local politicians and businessmen, to gain endorsement for his reforms and win a consensus on Yugoslav unity.

"Everywhere we went throughout the country, we got the answer that each republic wants to remain within Yugoslavia," he said.

His alliance is banking on this popularity lasting until the end of the year when federal elections will be held. After a successful first stage of reforms, including the increase of currency reserves to \$3.5bn, the Government aims to begin privatisation, stimulate investment and impose a federal fiscal policy to alleviate the deepening recession.

A law on enterprises, one of 16 new laws in the second package of reforms, states that if a socially owned enterprise is not partly privatised within two years, a newly-formed agency for restructuring will step in.

The fate of the reforms depends on close compliance by the republics, which have often put up obstacles in the past. In the safe knowledge that his government programme has already won the public's confidence, Mr Markovic has now challenged other political parties to seek power if they think they can restructure Yugoslav society better than he.

Bonn reschedules DM3bn Polish debt

West Germany signed an agreement with Poland yesterday to reschedule DM3bn (€1bn) of Polish debt, the Foreign Ministry said, Reuters reports from Bonn.

The accord is part of a general financial package agreed by the Paris Club of western nations in February to help Poland cope with its hard-currency foreign debt, estimated at \$41bn.

It gives Poland 14 years to repay in instalments debts to West German banks and exporters which were originally due by March 31, 1991 and which had been guaranteed by the Bonn Government.

E Germany to spend nearly DM1bn on new weapons

By David Goodhart in Bonn and Leslie Collitt in East Berlin

EAST GERMANY'S pacifist Defence Minister, Mr Rainer Eppelmann, is causing dismay among West German officials and politicians with his plan to spend nearly DM1bn (€330m) on new weapons for the National People's Army (NPA) before it is dissolved with German unification at the end of this year.

The expenditure, out of a total defence budget of DM4.5bn for the second half of this year, will include Soviet anti-tank defence systems, machine-guns and small missile-equipped boats for the navy. Defence officials in Bonn say it is only thanks to their intervention that the East Berlin Defence Ministry has not bought a further 37 MIG-29 fighter aircraft to add to the 20 in service.

The Bonn Ministry has been complaining for several months that Mr Eppelmann has become a prisoner of the Defence Ministry. The East German defence budget is likely to be discussed at today's meeting of the Bonn cabinet.

Colonel Uwe Hempel, spokesman for the East German Defence Ministry, defended the purchases yesterday saying that East Germany had a long-term "contractual obligation" to take the weapons.

Mr Matthias Gehler, the government spokesman, said the arms shipments had to be accepted "even if they are going to be destroyed". He said West Germany had apparently not been aware of the size of the arms deal, but the payment included commercial penalties which East Berlin was paying for weapons it no longer wanted. East Germany had managed to cancel DM2.3bn in more recent orders for Soviet arms, he added.

It also appears that Mr Eppelmann has given up the fight to retain an independent East German army after unification. Only about 20,000 full-time soldiers from the NPA, current nominal strength 100,000, will



Rubbish surrounds Checkpoint Charlie, former symbol of German division, and now the site of a street market

be transferred to the Bundeswehr — whose strength will be limited to 370,000 after unification.

The dismantling of the NPA, and its equipment, is causing headaches for the military planners in Bonn. In the light of political pressure for a lower West German defence budget it will be difficult to throw away equipment, but on the other hand, it will also be difficult to integrate weapons such as MIG-29s into the unified German armed forces.

A bizarre controversy has also developed between the Soviet Union and East Germany over the scrapping of the Soviet-made weapons. East Germany wants Moscow to destroy the anti-tank missiles and other weapons which it ordered but no longer requires. The Soviet Union, however, wants East Germany to accept the weapons and then scrap them. Mr Gehler indicated that the cost of safe disposal of the weapons was an important factor in the squabble.

UK tries to repair the Ridley damage

By Robert Mauthner, Diplomatic Correspondent

BRITAIN made a special effort over the weekend to assure West Germany of the importance it attached to good relations between the two countries, notwithstanding recent disparaging comments by Mr Nicholas Ridley, the former Trade and Industry Minister.

Talks between Mr Hans-Dietrich Genscher, the Bonn Foreign Minister, and Mrs Margaret Thatcher, the British Prime Minister,

as well as with his British opposite number, Mr Douglas Hurd, were described as very friendly by Mr Genscher.

The West German minister, who was Mr Hurd's guest at lunch on Sunday and at a performance by the Glyndebourne Opera, expressed particular appreciation of his host's support at the recent "2 plus 4" talks in Paris on German unification.

However, Mrs Thatcher used

the occasion of her meeting to reiterate Britain's rejection of the single European currency plan supported by most of the other European Community countries, and to renew her advocacy of the alternative British "hard Ecu" scheme.

There was no indication that two sides have come any closer on this problem, which is likely to dominate the EC agenda in the autumn and winter.

Dutch try to turn back a wave of job-related disability

One in six workers could be drawing generous state benefits by next year, writes Ronald van de Krol

THIS summer, a simple statistic has come to haunt Dutch politicians and business people, spurring them to look into ways of halting the explosive growth of a key part of the Dutch welfare state — disability benefit.

Unless action is taken soon, as many as one million people will be drawing disability benefits in the Netherlands by 1993. The one-million figure is particularly worrying because the country, with a total population of less than 15 million, has a labour pool of just six million people.

Already, there are more than 800,000 people registered as being "arbeidsongeschikt" — that is, incapacitated, or unfit to work in one way or another. Their ranks are being swelled by an additional 100,000 every year.

Unlike most other countries, the Dutch definition of disability

is extremely generous, taking in not only victims of industrial accidents but also workers who suffer from stress, nervous exhaustion or serious emotional problems at the office that make them unable to hold down their jobs. Many people drawing the benefit are aged between 30 and 50, and they are entitled to payments until they turn 65.

The financial and human costs of the disability burden are enormous. Last year, the government paid out F122bn (€6.5bn) in disability entitlements, representing the single biggest item of social security spending after the state's old-age pension scheme.

At the same time, people who draw the benefit — which is known by its Dutch acronym WAO — have come to form a distinct social group. Referred to by themselves and by others as "WAOers", they are virtually unemployable, even if



Netherlands

their disability is slight enough to allow a return to paid employment.

In the autumn, the government, employers and unions are expected to sit down and search for ways of reducing the problem.

The government has threatened to impose quotas that

would require companies to ensure that 5 per cent of their workforce consists of returning WAOers. Employers, while resisting mandatory quotas, are prepared to find suitable tasks within their organisations for people who can no longer perform their old jobs, provided that the whole WAO system is overhauled.

The likely outcome of the talks is not yet clear. Nor is there a satisfactory explanation within the Netherlands, with its high standard of living, excellent health care and good working conditions, should be prone to such high rates of disability. Particularly worrying is the fact that approximately one-third of benefit recipients have been declared unfit to work for psychological reasons.

One answer is that the Dutch business community has made use of the disability scheme during the recession

of the late 1970s and early 1980s as an easy and humane way of shedding jobs. Because disability benefits are far more generous than normal unemployment benefits, it was in the interests of employers to agree to seek a medical ruling declaring them "unfit", either for physical or psychological reasons.

Another theory links disability to the country's high rate of productivity, reputed to be the best in Europe. "The flip side of our productivity record is that people who are having difficulties get shunted into the incapacitated category, and the best workers get left behind on the shop floor," one union official said.

People declared unfit receive 70 per cent of their last salary, up to a maximum annual salary of F165,000. This means that the maximum annual WAO benefit can run to F145,500, roughly equivalent to

a median Dutch income. "I certainly think that the relative attractiveness of the scheme plays a role in the number of people joining it," according to Theresia Snelders, an adviser in social security matters at the employers' group VNO. However, she disputes the idea, pointing out that the inflow of new WAOers has remained constant despite a cut in the pay-out rate to 70 per cent in the late 1980s from 80 per cent previously.

Most observers link the prevalence of disability payments to high rates of absenteeism in the Netherlands, where employees are one-and-a-half times more likely to call in sick than their Belgian and German counterparts. In the border areas where Belgian workers are employed by Dutch companies, you tend to find that absenteeism resembles that of the Dutch after a while," Ms Snelders said.

Central Europe urged to lay welcome mat for foreign investors

By John Lloyd

THE THREE post-Communist states of central Europe should throw open their economies to as much foreign direct investment as they can attract in order to increase their competitiveness with the west, according to a new study.

Prepared by the consulting company Central European Investments, the study is the first which systematically compares the economic strategies of Czechoslovakia, Hungary and Poland, and grades them according to efficiency.

It shows clearly the dominance of West German capital in central Europe. This accounts for 30 per cent of total foreign capital in Hungary, closely followed by Austria (28 per cent), Switzerland (14 per cent) and the US, UK and Sweden with minor shares. In Central Germany, German accounts for 35 per cent, followed by Sweden at nearly 9 per cent, Austria and the US at 6.5 per cent and France and the UK at just over 4 per cent.

Most foreign direct investment in Hungary has gone to

the agroindustrial and electronics sectors, while in Poland it has gone to industry.

The study says that direct investment brings capital and expertise and that taxes paid by foreign companies will play a large part in reducing the huge debt burdens of Poland and Hungary. By contrast, domestic investment has attracted little capital or technology, and has not improved working practices.

The study paints a complex picture of strengths and weaknesses in the three economies.

Broadly, Hungary is considerably ahead in openness to the west and in economic reforms; Poland offers the largest market and could become a vital "corridor" between Germany and the Soviet Union (or Russia); and Czechoslovakia has the best infrastructure and the highest living standards and skill levels.

On the other hand, Poland has poor infrastructure — especially telecommunications — and has attracted relatively little direct investment. Czechoslovakia lags considerably in

introducing legislation on economic reforms, has attracted insignificant levels of foreign investment and is deemed less committed to it than the other two.

Hungary is seen as having fewer of the drawbacks of the other two, even though it has a smaller population, a smaller territory and is landlocked. It is regarded as being in the lead in terms of political resolution, regulations for foreign investment, commercial banking, privatisation policy, entrepreneurship

and self-marketing.

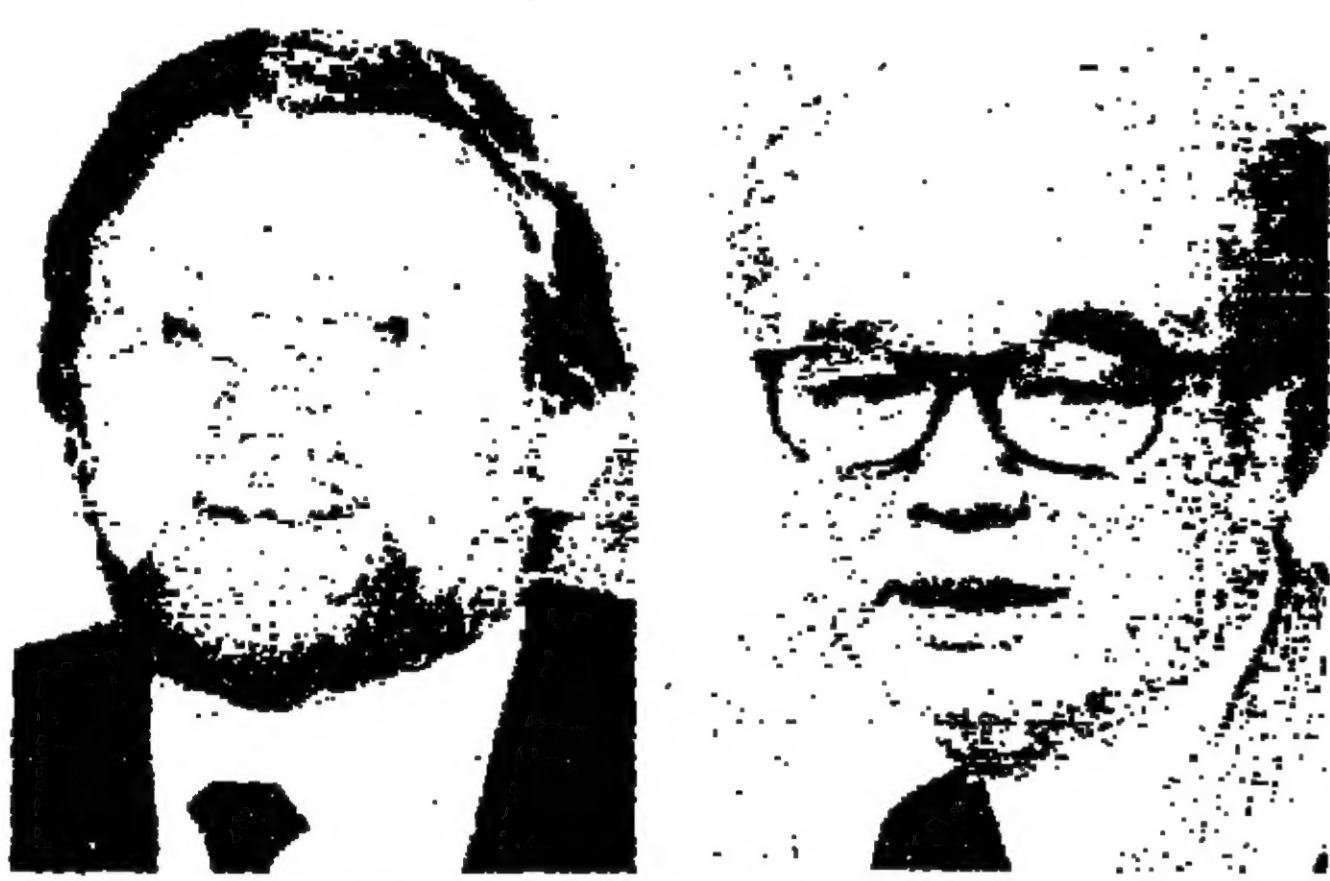
However, both Poland and Czechoslovakia are given higher rankings than Hungary for "fundamental strengths". The report suggests that the main obstacle in Czechoslovakia is its political, regulatory and administrative structure, and that if this were corrected it "could keep the progress made in Hungary and Poland, with strong manufacturing-based, export-led growth."

Hungary and Poland have almost identical proportions of

private to state enterprise at just under 15 per cent. Czechoslovakia's, however, at slightly over 3 per cent, is one of the lowest in the world, marginally ahead of the Soviet Union.

Czechoslovakia's traditional strength has been its engineering, and this gives it the largest export base. However, both Poland and Hungary export much more to developed countries than 40 per cent of total exports, against 16 per cent in Czechoslovakia (down from 30 per cent in 1980).

WORLD TRADE NEWS



Evans: growing alarm

Nakayama: anxious

US and Japan call for urgent progress on free trade talks

ASIAN and Pacific nations, including the US and Japan, called yesterday for urgent progress to prevent a collapse of crucial, global free-trade negotiations, Reuters reports from Singapore.

The second ministerial meeting of the 12-member Asian-Pacific Economic Co-operation group, opened with delegates expressing deep anxiety about the lack of progress in the 10-nation Uruguay Round.

"In view of the short time left for negotiations, it is imperative that the negotiation process must be further intensified," said Mr Taro Nakayama, the Japanese Foreign Minister.

The Uruguay Round, launched under the auspices of the General Agreement on Tariffs and Trade in 1986, faces a December deadline to fashion an agreement to cut tariffs, subsidies and other trade-restricting practices.

Failure could see the \$3,000bn world trading system fragmented into groups of competing regional blocs. A four-day negotiating session in Geneva last week failed to achieve progress on the major outstanding issue of farm subsidies.

Mr Gareth Evans, the Australian Foreign Minister, said on Sunday the 12 Apec nations were increasingly alarmed at the prospect of the

Uruguay Round failing. Apec links the US, Japan, Canada, Australia, New Zealand, South Korea, Thailand, Singapore, Malaysia, the Philippines, Indonesia and Brunei.

"What worries us all is there are only five months, a hundred and thirty something days, until the completion of the round. There's a massive agenda right across the whole spectrum of issues to be resolved," he said.

At its inaugural meeting in Australia last November, Apec members looked forward confidently to the coming of a Pacific century, in which Pacific Rim nations would play a dominant role.

Mr James Baker, the US Secretary of State, said Apec needed to assert itself now in the negotiations. "The highest international economic policy priority of the United States is a successful outcome to the Uruguay Round," he said.

Mr Lee Hsien Loong, Singapore's trade minister, said the Gatt negotiations looked as if they were becoming bogged down. "We all have too much at stake to allow them to fail," he said.

Trade-dependent Asian nations fear they could be forced out of lucrative markets if the Gatt talks fail. Mr Nakayama said there was a danger of the world reverting to closed regional blocs.

Canada comes under fire in Gatt report

By William Dullforce in Geneva

THE COMPATIBILITY of the US-Canada Free Trade Agreement (FTA) with Canada's obligations under the General Agreement on Tariffs and Trade was called into question yesterday in a report to the Gatt Council.

Other facets of Canada's trade policy singled out for criticism were its complex tariff system, financial assistance to farmers, governmental procurement policies and the relatively high level of protection provided for some domestic industries, notably textiles and clothing.

The report was prepared by the Gatt secretariat under the trade policy review mechanism introduced by trade ministers in December 1988.

Although Canada frequently stated its support for Gatt's non-discriminating most-favoured-nation principle, a large share of its trade was still subject to preferences, the report pointed out.

In particular, when the FTA, which came into force in January 1989, was fully implemented, the US would secure "more predictable and freer market access than any other trading partner". The US already takes over 70 per cent of Canada's exports and supplies two-thirds of its imports.

The European Community has a 10 per cent share and Japan a 5 per cent share of

Canadian trade but the 10 per cent of imports supplied by developing countries is well below the average for the industrial countries.

Canadian officials regard the secretariat's references to the FTA as truisms, since the purpose of the agreement is precisely to promote trade in the North American bloc.

'Canada needs to scale down support for domestic farming'

As far as the rest of the world is concerned, they emphasised the liberalising reforms which the federal government has been introducing since 1984, and Canada's efforts to ensure the success of the Uruguay Round. A reduction in Canadian preferences would be an inevitable by-product of a successful Round, they argued.

The Gatt secretariat accepts that, together, the FTA and domestic reforms should raise Canada's annual growth rate by 0.75 percentage points in the early 1990s, making its exports more competitive and accelerating import growth.

But, in the secretariat's view, the higher import demand is unlikely to offer the same opportunities to all Canada's trading partners, as long as its existing, uneven structure of trade protection remains in place.

To achieve its declared strategy of strengthening trade links outside as well as inside North America, Canada needs to scale down its financial support to domestic farming and industry and reduce or eliminate some high tariffs and quantitative restrictions on imports, the secretariat says.

Federal aid to agriculture has been reduced but still amounted to \$3.3bn in 1989-90. Including the \$2bn provided by provincial governments, overall assistance to farming was equal to 88 per cent of Canada's gross domestic agricultural product.

In 1989 the price Canadian consumers paid for milk was more than double the world price; the price for eggs was 20 per cent higher. The Canadian government says it is undertaking a major review of farm policy.

The Gatt report describes Canada's tariff regime as complex and lacking in transparency. Tariffs and other products - the average applied tariff in 1989 was 3.7 per cent - and 98 per cent are guaranteed against increases.

However, tariff escalation - when raw materials attract lower duties while high duties are charged on manufactured products - is widely present in both industry and agriculture.

Tariff protection ranges from 16 per cent to 46.5 per cent for textile items and from 22 per cent to 29.5 per cent for clothing.

Restrictions on imports were tightened on textiles and clothing

The government tightened import restrictions on textiles and clothing in 1986 after imports had been growing at an annual rate of 11 per cent, but officials claim that Canada still allows a higher import penetration than most other industrial nations.

About 5 per cent of federal government buying of goods and services is done under Gatt's procurement code. Given that federal purchases make up only about one quarter of the roughly \$70bn-a-year public procurement market, it is clear that there is scope for liberalisation.

Canadian officials say they

are aiming in the Uruguay Round for worldwide liberalisation of public procurement while Ottawa is discussing with Canadian provincial governments ways of applying the Gatt code to their purchases.

The federal structure and the federal government's relations with the provincial authorities influence Canada's ability to comply with Gatt rules in more than one area, including agriculture.

More than 100 farm marketing boards are in operation at both federal and provincial levels. They cover wheat, dairy products, fish and alcoholic beverages.

Ottawa has experienced great difficulty in getting provincial compliance with a 1986 Gatt ruling that barriers on beef be lowered.

Several provincial boards have authority to conduct international trade. Outside agriculture a strong expansion of regional development programmes has helped to almost double the official financial assistance to domestic producers from C\$1.4bn in 1986-87 to C\$2.7bn in 1988-89.

Herein lies a paradox, because, while its own subsidies have been booming, Canada has been pressing hard in the Uruguay Round talks to obtain stronger Gatt discipline on the subsidies.

Canadian officials say they

Australia lifts ban on frozen pork

A BAN on the importation of uncooked, frozen Canadian pork will be lifted after the Australian government decided yesterday it could no longer be justified on disease risk fears, AP-DJ reports from Canberra.

Mr Alan Griffiths, Resources Minister, said the government decided to allow imports of the meat after seven years of consideration and review.

Mr Griffiths said neither he nor Mr John Kerin, Primary Industries Minister, had been swayed by arguments by Australian pig producers opposed to imports.

The concerns of local producers centred on the possible introduction to Australia of the exotic disease transmissible gastroenteritis.

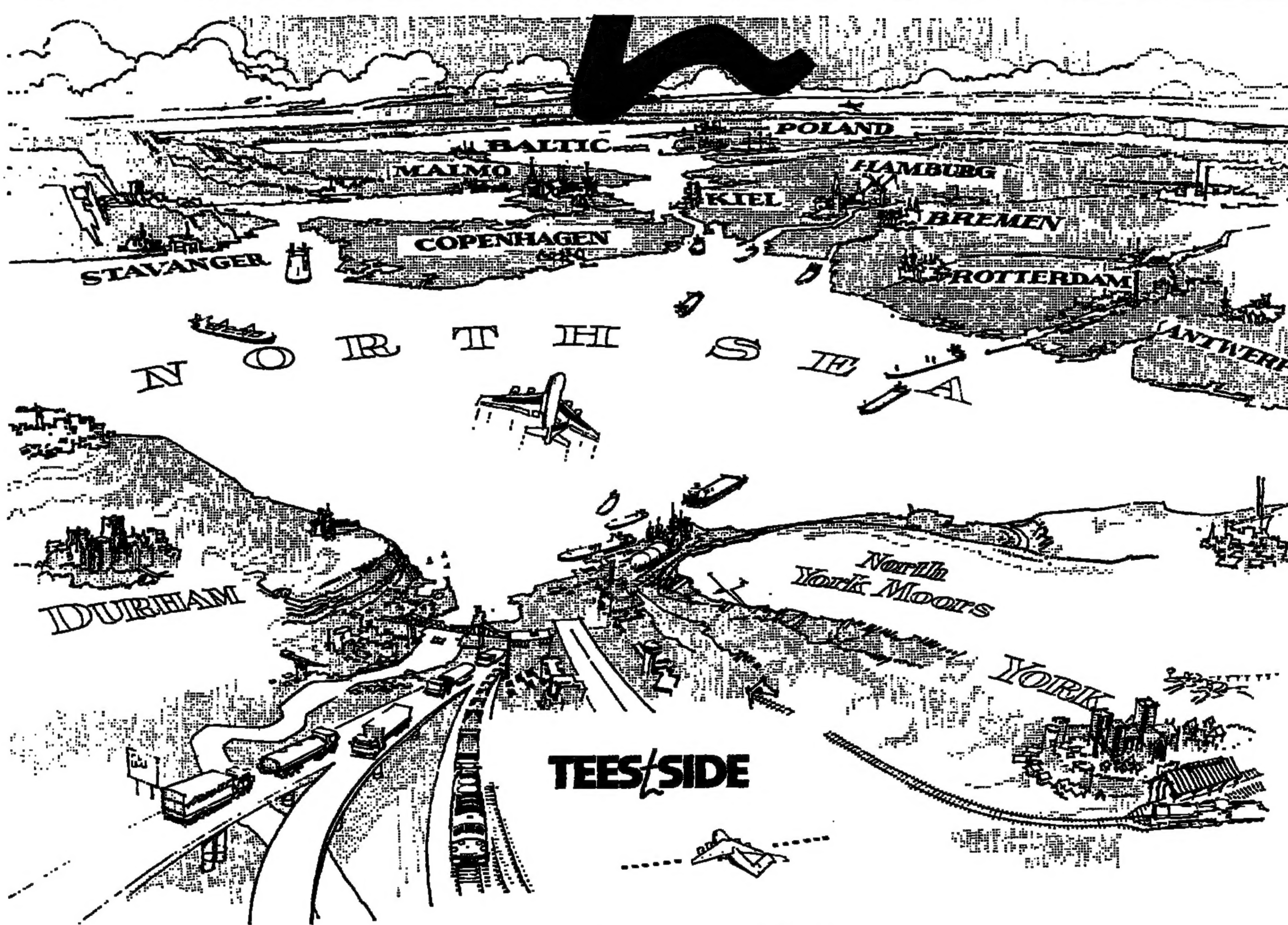
The government initially decided to lift Australia's ban on Canadian pork imports in September, but gave Australian producers time to gather information which might justify continuing the ban.

The government agreed with the latest advice from the Australian Quarantine and Inspection Service that the importation of uncooked Canadian pork should be allowed.

Mr Griffiths said: "It is very much in our interest to ensure that unjustified technical barriers are not put in the way of our exports."

TEES/SIDE

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TEES/SIDE

Initiative Talent Ability

Tokyo under attack over transit contract

By Nancy Dunne in Washington

SENATOR Frank Murkowski, an Alaska Republican and prominent in the US struggle to open the Japanese construction market, yesterday threatened Tokyo with retaliation over alleged violations of an agreement designed to give US engineering and building companies improved access to the country's \$470m (228bn) construction market.

Mr Murkowski was speaking after the failure of AEG Westinghouse, a US company, to win a \$50m contract for an automated guideway transit system in the new Kansai Airport.

Only 15 so-called "people movers" have been built in the world, and 12 were constructed by AEG. The Japanese company which won the contract has never built one, the senator said.

US and Japanese officials are due to meet later this week to assess the progress of the two-year 14 "major projects agreement". This was intended to establish US companies in the Japanese market and give them a fair chance at work in \$17bn worth of projects planned over the next 10-15 years.

"The Japanese market remains closed, and the spirit of the agreement is not being upheld," the senator said. Under the bilateral agreement, bids are to be opened publicly, but "it is not clear that happened."

IFC to back Colombian oil pipeline

By Peter Montagnon, World Trade Editor

THE INTERNATIONAL Finance Corporation is to help finance a \$221m (£176m), 476km oil pipeline linking Colombia's main oil producing regions of the Llanos and Magdalena valleys with the coast.

The IFC said it has arranged \$70m in loan finance for the project, half of which will be for its own account and half has been syndicated with a group of European banks.

The pipeline, which is being built by Oleoducto de Colombia, a local corporation that is 51 per cent-owned by private sector oil companies, has also attracted \$105m in official export credit finance from Argentina, Brazil, France and the US. Shareholders are contributing \$100m in equity.

Among other new contract announcements, Deltacem Systems of the UK said it had established a joint venture company with the Bulgarian Machine Tool Corporation of Sofia to sell its high-technology Cadcam systems.

SEMT Pielstick of Saint-Denis, France, has won a FFR320m (£35m) order to supply six 21,900kw diesel generators to the Karnataka Electricity Board of Bangalore, India.

The Export Credits Guarantee Department is to cover a \$24.3m loan to finance a 238.5m contract for a 300MW power station to be built on Hongkong's Lantau Island by John Brown Engineering.

EC launches probe into Yugoslav wire exports

By Lucy Kellaway in Brussels

THE European Commission has opened an investigation into alleged dumping of wire trailing and fencing on the Greek market by Yugoslavia.

The complaint, lodged by a Greek producer, comes at a time when Greece has been voicing doubts about the EC's closer relations with Yugoslavia, and has opposed the Group of 24 industrial countries' initiative to help Yugoslavia as part of an aid scheme to eastern Europe.

The investigation is unusual as it is exclusively concerned with the Greek market. The Greek producers claim there is a competitive market that is isolated from the rest of the EC and can be considered alone.

Imports of Yugoslav wire, used for reinforcing concrete, rose from nothing in 1987 to 20 per cent of the Greek market. The European Commission yesterday imposed a punitive duty of Ecu198 (£136.81) per

tonne on silicon exports from China which it said were sold in the EC at unfairly low prices, Reuters reports from Brussels.

Endorsing the findings of an investigation by the EC's executive Commission, the Council of Ministers, the 12-nation grouping's main decision-making body, said in a statement the imports had hurt EC producers.

The investigation followed a complaint from producers in West Germany, France, Spain and Italy that they had lost substantial market shares to Chinese exports, markedly cheaper than those from other non-EC countries. China's market share rose from zero in 1985 to 8 per cent in the first half of 1988.

EC car and electronics companies, the main users of silicon, argued this reflected a lack of cost efficiency on the part of the EC producers. But the statement said: "These allegations were not supported by any evidence."

INTERNATIONAL NEWS

Indian coalition in talks to avert cabinet split

By K. K. Sharma in New Delhi

LEADERS of Janata Dal, the main party in India's National Front coalition government, and senior representatives of supporting parties were last night locked in hectic talks to resolve a crisis which threatens to split the cabinet.

It arose from angry demands by many cabinet ministers for the dismissal of Mr. Devi Lal, deputy Prime Minister, after he accused two ministerial colleagues of corruption. His allegations were made on the basis of a letter which Mr. V. P. Singh, the Prime Minister, has said was forged.

The crisis threatens the unity of the Janata Dal and demonstrates the fragility of the faction-ridden cabinet.

Mr. Devi Lal made his charges of corruption two weeks ago, when the government faced collapse after 13 ministers resigned to protest against the re-election of Mr. Devi Lal's eldest son as chief minister of the north-western state of Haryana.

The controversial son, Mr. Om Prakash Chautala, originally resigned two months ago as chief minister after charges of violence and ballot-rigging in a Haryana by-election. He resigned for a second time after just five days back in office. The crisis appeared to blow over when Mr. Singh refused to accept the resignations of the 13 ministers, but has now been renewed.

The row derives from the turmoil into which the party was thrown by the protests against Mr. Chautala's election. The 13 ministers said his elevation to the position was organised by Mr. Devi Lal. The deputy prime minister has long been accused of nepotism and promoting his family's political interests.

As part of his counter-attack, Mr. Devi Lal accused two cabinet ministers, Mr. Arun Nehru and Mr. Arif Mohammed Khan, of corruption.

He wrote to the prime minister making the charges, basing his case on a letter he claimed had been written by Mr. Singh in 1988, when he was in Mr. Rajiv Gandhi's government.

Burmese opposition urges government to step down

By Our Foreign Staff

BURMA's opposition National League for Democracy has called on the military government to release all political prisoners, end curbs on civil liberties and step down in favour of a new parliament by September at the latest.

The opposition demands, contained in a tough statement made available to journalists yesterday, were the first sign of open confrontation with the ruling State Law and Order Restoration Council (SLORC) since the League won a massive victory in the country's elections on May 27, diplomats said.

The League criticised the military government's delay in handing over power as "shameful" and urged it to transfer power to a new regime under an "interim constitution" which it has drawn up.

The League's statement, called the Gandhi Declaration,

after the hall in which it was drawn up, said: "It is against political nature that the League, which has overwhelmingly won enough seats in the parliament to form a government, has been prohibited from minimum democratic rights."

"It is shameful in the eyes of the people and of the international community."

The NLD won 80 per cent of the 485 seats contested in the elections. However, all subsequent calls for talks with the SLORC have been ignored.

The party's call was made through resolutions adopted at the end of a two-day meeting in Rangoon.

The NLD's move reflects the opposition's loss of patience over the SLORC's repeated insistence that no transfer of power can take place until a constitution, accepted by referendum, has been promulgated and put in place.

HK gamble on move to Australia

By Angus Foster in Hong Kong

THE Royal Hong Kong Jockey Club, which oversees all betting and gaming in the colony, is moving some of its computer operations to Australia in an effort to cope with Hong Kong's brain drain.

The Jockey Club, which is also one of the pillars of the Hong Kong establishment, plans to set up a computer software development centre in Sydney or Melbourne which will be built up to house a staff of 20 next year.

The Jockey Club employs around 300 computer and maintenance technicians in Hong Kong, mainly working in betting software. In the last year about 15 per cent have left, down from as much as 20 per cent in earlier years, according to Mr. David Hutcheson, director of finance.

He said the move would help overcome problems trying to recruit staff in Hong Kong while providing a means of keeping experienced staff who want to emigrate. "We have already lost some people and we do expect a number of others will be going. [This decision] means we will be able to offer them a position if they are ready to go to Australia."

With Hong Kong's nerves on edge about the colony's return to Chinese sovereignty in 1997, the Hong Kong government expects more than 50,000 people will emigrate this year in search of the security of a foreign passport, compared to 42,000 last year.

Most of the emigrants are from the well educated middle class. Canada is the most popular destination.

Meanwhile, the Hong Kong government is pinning its long-term hopes on the UK nationality package, which has just gone through parliament, and is designed to give passports to up to 50,000 key heads of households as an "insurance policy".

A turbulent flight for Indian Airlines

The state-owned domestic carrier flies into further controversy, writes K.K. Sharma

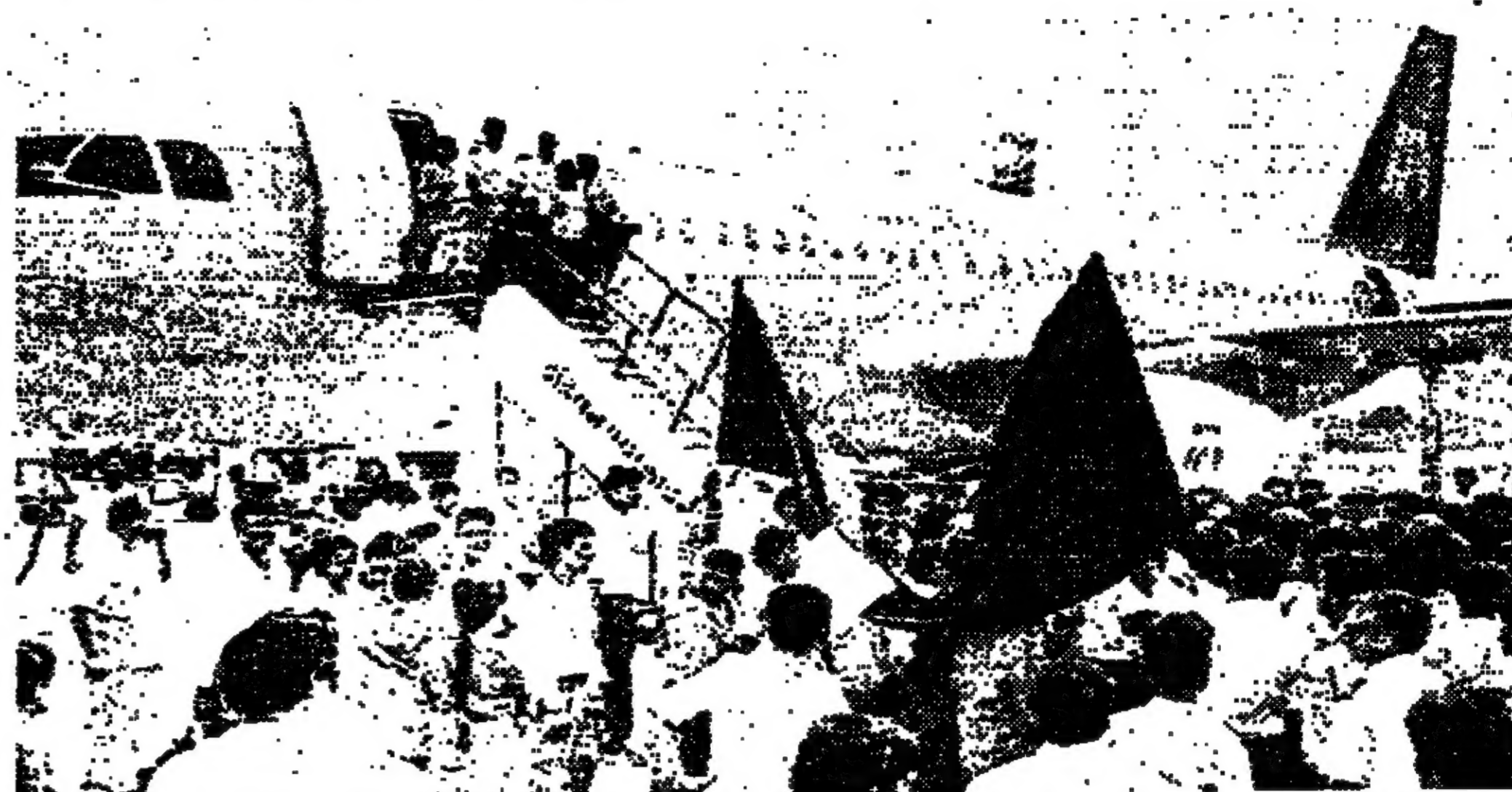
INDIAN Airlines, the much-criticised government-owned domestic carrier, has been jinxed ever since one of its fleet of 15 Airbus A320s crashed in Bangalore last February. There is no sign yet that it is anywhere near getting over its troubles.

Indeed, the airline's problems seem to be growing. It has been without a full-time executive head since last February and the government is finding it difficult to find a new chairman-cum-managing director for it. Even the airline's day-to-day operations seem to depend on guidance from the Ministry of Civil Aviation.

The fleet of Airbus A320s has been grounded since the Bangalore crash, a decision that is now being criticised as having been taken for political reasons to embarrass the previous Rajiv Gandhi government which was responsible for the controversial deal to buy the sophisticated fly-by-wire aircraft.

Now, after promising that A320 flights would not be resumed until the cause of the Bangalore crash was established, Mr. Arif Mohammed Khan, Minister for Civil Aviation, has suddenly reversed his decision. He says that the fleet is to start flying again in "a phased manner".

But the big question remains: when will commercial flights of the Airbus 320 begin again? Just when Indian Airlines was to make the first flight on July 16 on the Hyderabad-Bangalore route, it was hastily scrapped because of a political crisis in the government.



Employees of Indian Airlines protest against the re-introduction of the grounded Airbus-A320

That crisis has now blown over but no decision on the Airbus 320 flights is in sight because of a row with the powerful Indian Commercial Pilots Association.

The Association has banned the 140 pilots who are employed to fly the Airbus 320 from starting training on the pattern prescribed by a committee headed by Air Marshal Ramdas which investigated Indian Airlines' preparedness to fly the highly computerised aircraft.

The committee recommended that all Airbus 320 pilots should undergo six weeks of ground refresher training in addition to four simulator sessions of 90 minutes each. They were also asked to undertake 90 minutes of actual flying training and

five route checks, some of them monitored by outside experts. Fearing that many of the pilots would fail to come up to the exacting standards required in the route checks, the Association has demanded consultations on the proposed training programme.

Indian Airlines is now committed to get the Airbus 320s airborne again. Its officials say that if the pilots do not co-operate, limited flights will be operated by executive pilots who are not members of the Association.

For a government that has sharply attacked the purchase of the Airbus 320 and even launched criminal proceedings against those responsible for the deal with Airbus Industrie, there has been a remarkable volte face.

The criminal proceedings are not being halted but Mr. Khan and officials insist now that they are totally satisfied with the aircraft that had been consistently maligned for more than four months.

To establish that the Airbus 320 is airworthy and safe in Indian service, Mr. Khan took a party of journalists and some members of parliament with him on a demonstration flight earlier this month. Although television newscasts solemnly reported the "safe" landing of the demonstration flight, there is little doubt that the prolonged attack on the airworthiness of the Airbus 320 has considerably eroded public confidence in it.

Mr. Khan insists that the Ramdas committee's recommendations on preparing

Indian airports, crew members and engineers to operate the Airbus 320 will be rigidly applied and this is the reason for the plans to make the entire fleet operational again slowly. Earlier plans to lease the aircraft and to refuse delivery of others from Airbus Industrie have now been abandoned.

But the prolonged grounding of the fleet has meant that Indian Airlines will take years to recover its heavy operational losses. The airline has already suffered losses of Rs700m (\$22.3m) because of grounding of the Airbus 320 fleet. Even if the differences with the pilots are resolved, the losses will continue because of the phased re-introduction of the aircraft into commercial service. Expected losses on account of charges linked with the acquisition of the Airbus 320 are estimated at Rs1.4bn this year. This means that Indian Airlines nominal profit of Rs107m last year will be wiped out and it will be in the red for a number of years.

Having been forced sharply to curtail its operations to just 35 aircraft, daily capacity has been cut from 30,000 passengers a day to 23,000. Public anger at long delays and cancellations against a corporation that has never been known for its efficiency or courtesy has mounted as a result.

Consumer organisations are demanding domestic competition, although high steps in this direction have caused airline employees to threaten further disruptions that will only cause more damage to its operations and profitability.

Liberian soldiers 'massacre 600'

TROOPS loyal to Liberian President Samuel Doe massacred at least 600 refugees, including babies, sheltering in a church in the Liberian capital Monrovia, witnesses said yesterday, Reuters reports from Monrovia.

Survivors of the attack said government troops burst into St. Peter's Lutheran church on the outskirts of the city on Sunday evening and butchered men, women, children and babies with knives, guns and cutlasses.

They said 30 soldiers firing machine-guns broke down the door and shot point-blank at some of the 2,000 refugees who had taken shelter there since rebel forces reached Monrovia three weeks ago.

Soldiers then went to the upper floor and shot at hundreds of refugees sleeping there. The survivors said soldiers butchered men with knives and shot women and children with machine-guns. They ordered some women who tried to flee with their children to stand aside. Other soldiers then fired on them.

"We thought they had come to ask us questions. Then they started killing and everyone began screaming and trying to hide," said one man who hid in the church roof during the massacre.

Survivors said the soldiers were from the president's Krahn tribe, while most of the refugees were from the Gio and Mano tribes, staunch supporters of the rebel armies which now control most of Monrovia

and are poised to move in to overthrow President Doe, guarded by a few hundred soldiers at his executive mansion.

The floor of the church was thick with bloodstains and bodies were huddled under pews where people had tried to hide.

The bodies of boys aged seven or eight were draped on the church altar and a pile of bodies was half-hidden in a dark corner beside the altar.

Dead women lay on the floor with children still wrapped in shawls on their backs. The church crucifix had been thrown to the ground and bullet holes riddled the ceiling.

EC ambassadors last week warned that this West African country, founded in 1847 by freed American slaves, was slipping into anarchy and on the brink of "national suicide".

UN Secretary General Javier Pérez de Cuellar reacted "with horror and dismay" to reports of the massacre and again appealed for the protection of the civilian population.

Rebel leader Charles Taylor, who heads the 15,000-strong National Patriotic Front of Liberia (NPFL), encouraged an exodus from Monrovia by urging people to move to rebel-held areas.

But a rival rebel leader, Prince Yormie Johnson, whose forces led the offensive into Monrovia, has called Mr. Taylor a Libyan-trained communist who should be tried for embezzlement. Mr. Johnson, who said he led 7,000 partly armed men into the capital, called Mr. Taylor "a criminal and a rogue".

S Africa set to repeal housing law

By Patti Waldmeir in Johannesburg

THE South African Government is likely to repeal the Group Areas Act, the main law enforcing residential segregation, early next year, Mr. Org Marais, deputy Minister of Finance, said yesterday.

It was the clearest indication yet of the government's timetable for abolishing the remaining "pillars of apartheid" - which apart from the Group Areas Act, consist of the Land Acts and the Population Registration Act - and comes 10 days before Pretoria and the African National Congress (ANC) are to meet for peace talks.

The talks look almost certain to ahead on August 6 despite a bid by Pretoria to have Mr. Joe Slovo, Secretary General of the South African Communist Party (SACP), excluded from the ANC negotiating team.

It appeared likely last night that the government might back down on this demand, after it became clear that Pretoria had wrongly accused Mr. Slovo of attending a secret meeting in May which plotted the overthrow of the state.

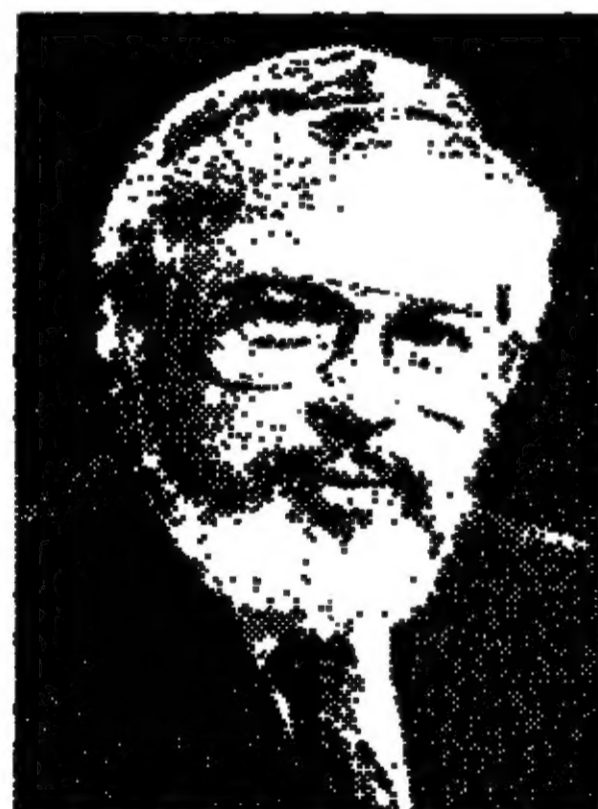
Mr. Slovo's passport shows that he was not in South Africa on the dates of the meeting.

The government's error in accusing Mr. Slovo of attending the May meeting will embarrass President F.W. de Klerk, and he may seek a face-saving formula to let him participate.

APPOINTMENTS



John W. Burrows



S.W.R. Moore (Sandy)

The Board of Directors of NovAtel Communications Ltd. is pleased to announce the appointments of John W. Burrows as Chairman and Chief Executive Officer, and S.W.R. Moore (Sandy) as President and Chief Operating Officer of the Company.

Mr. Burrows has served as a founding Director of NovAtel since January 1983, and as Chairman of the Board since January 1987. As well, he has been a member of the Alberta Government Telephones Commission since February 1980.

Mr. Moore joined NovAtel as Executive Vice President in March 1988 after 16 years' service in senior marketing, sales and general management positions with a major telecommunications equipment supplier. His extensive experience in systems and subscriber equipment production and marketing strategies will be of great value as Mr. Moore undertakes his new responsibilities as President and Chief Operating Officer of the Company.

Headquartered in Calgary, Alberta, Canada, NovAtel Communications Ltd. is a subsidiary of Alberta Government Telephones. A leader in cellular technology, NovAtel currently employs more than 1,500 people in the research, development, manufacture and sales of cellular telephones and cellular systems worldwide.



NovAtel Communications Ltd.

Canberra and Peking start to make up

By Peter Ellingson in Peking

AUSTRALIA is poised to become the latest western nation to inch back towards normal ties with China, which has just gone through parliament, and is designed to give passports to up to 50,000 key heads of households as an "insurance policy".

Meanwhile, the Hong Kong government is pinning its long-term hopes on the UK nationality package, which has just gone through parliament, and is designed to give passports to up to 50,000 key heads of households as an "insurance policy".

Canberra insists that there will not immediately be a return to "business as usual" with Peking. Nevertheless, Mr. Neal Blewett, the Australian Trade Minister, will be in

Peking in September, and Liu Xiang, China's vice Foreign Minister, will visit Australia next month.

Mr. Blewett is coming to discuss trade, while Liu will be in Canberra for general talks and may attend the opening of Peking's new Australian embassy. But both trips are certain to influence the possibility and timing of a return to normal relations.

Taken with China's recent diplomatic gains in Asia and the Middle East, where Saudi Arabia, Indonesia and Singapore have all tightened ties with Peking, the changed atmosphere represents a remarkable comeback for China.

Peking has in fact managed, without having made any real concessions, to retain privileged access to US markets and to regained soft loans from Japan.

Canberra is typical of western governments which have placed high-level contact on ice, while giving clear signals that a thaw may be possible.

Mr. Gough Whitlam, the former Prime Minister, opened the way for warmer relations last week when he met Li Peng, China's Prime Minister, for an exchange which the Chinese claimed showed their international isolation was over and which left the strong impression that Canberra favoured improved relations.

But the thaw began as early as May when Qi Yuanjing, China's Metallurgical Industry Minister, held talks with Mr. John Kerin, Australia's Primary Industry Minister, while

JAPAN sent a team of government experts to China yesterday to discuss Tokyo's plans to resume an \$8.5bn (\$3bn) loan package, a Foreign Ministry official said, Reuters reports from Tokyo.

The group of economic aid experts from four government agencies will review China's proposals for projects for the current fiscal year and discuss the timing for the first instalment of the loan package covering the 1990-95 period.

"If the survey talks this week are satisfactory, another group from the Overseas Economic Co-operation Fund [OECF] will visit China in late August and

then we can expect something concrete after they return," the official said.

He would not say when Japan planned to exchange notes or to extend the first instalment of the loan package to China.

"We don't have a forecast yet but it's likely that the exchange of notes will take place soon after the OECF mission returns," the official said.

Kyodo, the Japanese news agency, quoted Mr. Toshiki Kaifu, the Prime Minister, as saying on Sunday he would formally tell China of the loan resumption during Peking's Asian Games in September.

Wales Premier Nick Greiner will head a delegation to sister state Guangdong in September.

This pressure for normalisation comes at a time when Peking, despite some window-dressing on reform, is maintaining its hard line on human rights and political change. Some 800 dissidents have allegedly been released, but apart from a few known figures, no comprehensive list of names to back up the claim has been issued.

Australians keen on rapprochement say there are strong economic reasons for normalisation. However, of the \$12bn Australia derives from exports to China, more than half comes from wheat, wool, and iron ore, items which do not finally depend on high-profile ties between the two countries.

NEWS IN BRIEF

Taiwan plans to lift curbs on gold exports

TAIWAN HAS decided in principle to lift restrictions on the export of gold, the Finance Ministry confirmed yesterday, writes Peter Wickenden in Taipei.

Taiwan is a leading gold importer and the central bank holds some 15.5m ounces. The ministry at present grants export permits usually for small quantities, to individuals visiting relatives in China. Dealers are not allowed to export it.

UK appeals on Lagos executions

Britain yesterday appealed to Nigeria not to execute any more people convicted of taking part in a failed coup attempt in April, writes our Foreign Staff. Last Friday 42 people found guilty of plotting to overthrow President Ibrahim Babangida were executed in Lagos by firing squad. Thirty-one more are to be retried.

Pacific Forum upset at chemicals

The incineration of US nerve and mustard gas on remote Johnston Atoll could inflame an otherwise placid 21st South Pacific Forum, forum officials said yesterday, Reuters reports from Vanuatu. The issue has pushed long-time interests such as French testing well down the agenda, they said.

Zambian prisoners freed

Zambia yesterday freed four political prisoners serving life sentences for plotting to overthrow President Kenneth Kaunda, Reuters reports from Lusaka.

Mr. Edward Shumwana, a former high court judge, Mr. Godwin Yoram Mumba, Mr. Albert Chiambe Chimbwila and Mr. Deogratias Symba, a Zairean, were released under a presidential pardon announced last week.

Mongolian rulers weakened

Mongolia's ruling Communist Party, unchallenged for 60 years, appeared likely to lose a significant slice of power to the democratic opposition as early results of the nation's first free elections trickled in yesterday, Reuters reports from Ulaanbaatar.

The opposition was expected to win 35-45 per cent of seats in the more powerful lower house of parliament, according to projections from preliminary results with about a quarter of the vote counted, an election official said.

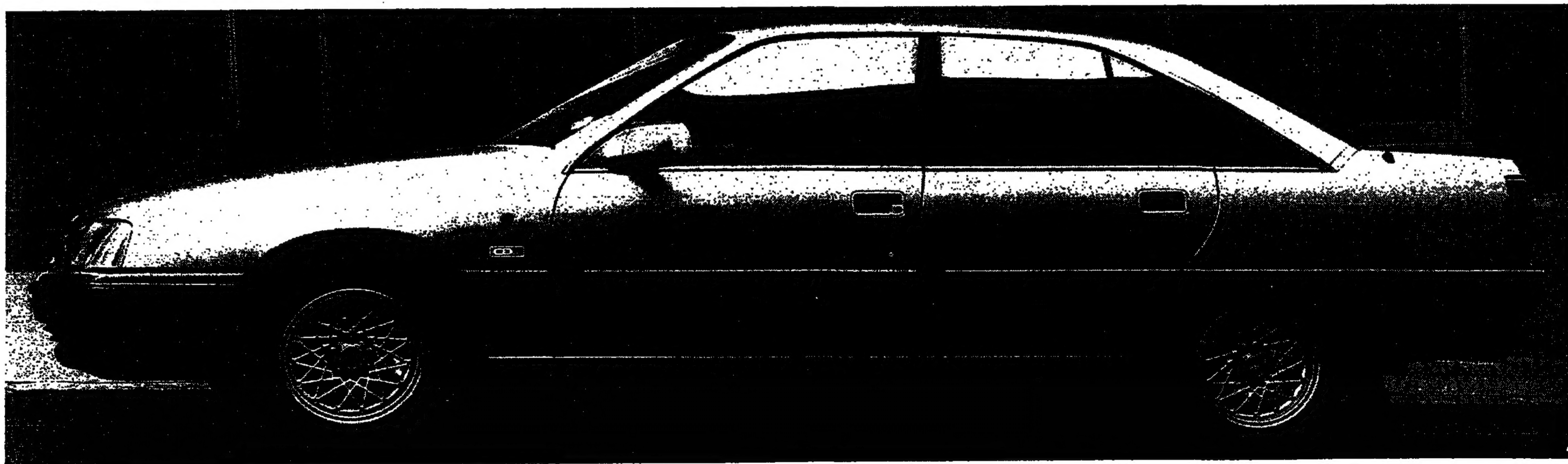
Hungary

How will Hungary reach prosperity?

Hear the persons setting the stage for Hungary's rapid growth into a free market haven, ripe with opportunity. Get a good picture of the new government's business policies. Hear Peter Akos Bod, the new Minister of Industry and Trade and other administration leaders. Eastern Europe Times has gathered the leaders who can explain the latest in joint ventures, privatization, the economic outlook, incentives and finance and how to put a price tag on the Communist leftovers.

For details on this conference Sept. 17-18 at the Atrium Hyatt in Budapest, in U.S. call 1-800-852-7108, from U.K. call U.S. at (703) 527-0039, in Europe call (49-30) 31-0341.

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The moral of the story is this: whether a car thief is a professional or nothing more than a light-fingered teenager after your stereo, your Carlton is as safe as a car can be from those who would like to break into it.

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AMERICAN NEWS

Mexico's population statistics under fire

By Richard Johns
in Mexico City

MEXICO'S latest population figures have come under fire from opposition parties of both the right and the left which are alleging that the total has been changed for political and economic reasons.

The main charge from the conservative National Action Party, the Party of the Democratic Revolution and the Popular Socialist Party, was that the total population figure had been reduced to give a better image of the Mexican economy, especially in terms of per capita income.

Mexico's population had reached 81.5m in the first quarter of 1990, or 23 per cent over the level calculated 10 years earlier, according to the preliminary results of the census held from March 6-12.

The figure is very much lower than most estimates made by experts, who reckoned that the number of Mexicans had grown to at least 85m and perhaps even 90m.

At the time of the exercise, costing the equivalent of \$110m and carried out by some 650,000 students, questions were raised as to how thorough it was.

There were reports that head-counters receiving no response from dwellings did not return to them.

Nevertheless, the census carried out by the National Institute of Statistics, Geography and Information (INEGI), which is an agency of the Ministry of Planning and the Budget, showed that the population doubled in the past 25 years to become the 11th largest in the world.

The rate of growth indicated by the preliminary results during the past decade is 2.3 per cent compared with one of 2.9 per cent in the 1970-80 period. Currently, the Government reckons the rate to have fallen to about 2 per cent.

The 1989-94 National Population Plan presented by the Administration of President Carlos Salinas de Gortari in February set the target of reducing it to one per cent by the year 2000.

Apart from the overall total, the biggest surprise was the low figure given for the greater metropolitan area of Mexico City, which has been put at 8.81m for the Federal District.

The greater metropolitan area, which spills over mainly into the State of Mexico but also those of Morelos and Hidalgo, was reckoned to have a population of 15m, giving it a greater density than Hong Kong or Singapore.

Estimates of the conurbation have generally been in the 18m-22m range.

Consultants Wharton Economics estimate that the 4.3m Mexicans, or 13.6 per cent of the 31.5m economically active population, are unemployed.

Sect's crusade against 'corruption' will leave its scars

A government plan to build a monument to honour a civil servant, and a court ruling last week on land ownership were among the seemingly innocuous factors which led to the botched and bloody attempt by Moslems to take over Trinidad and Tobago.

The Jamaat al Muslimeen, a commune of less than 1,000 members out of the island's population of 1.2m, had been in frequent conflict with the authorities over its links with Libya and alleged involvement in narcotics.

"I have been to Libya several times, and I am a friend of Colonel Gaddafi [the Libyan leader]," Mr Yassin Abu Bakr, the leader of the sect, said at the height of the political crisis started when he took hostage the country's prime minister and several other parliamentarians. "We are Moslems, and Libya is a Moslem country. We have also had support from Saudi Arabia."

Yet there is little evidence to back suggestions that a Libyan, or any other foreign hand, was behind the attempted

coup. Mr Abu Bakr, a former police officer in his early 40s who started the commune 10 years ago, speaks of having acted for the "moral cleansing" of Trinidad and Tobago, which he claimed had been overrun by corruption, racism and poverty.

Mr Arthur Robinson, the Prime Minister and object of Mr Abu Bakr's anger, last week proposed in parliament the erection of a monument, costing T\$500,000 (US\$117,000), to honour a late civil servant who stood against corruption by former government officials.

"Is this the kind of society we want to continue to live in?" asked Mr Abu Bakr on Friday night after staging the attempted coup. "There is no medicine in the hospitals and the prime minister allocates half a million dollars for a concrete monument."

Earlier this year the sect received a gift of pharmaceuticals from abroad, but the shipment was seized by the Government. It was later handed over to the group which became incensed, not at the

Canute James on economic and political repercussions of the Caribbean coup attempt

seizure but at a government refusal to accept it for use in the public health service.

A further setback for the sect came last week with a court ruling that land they had been occupying outside Port of Spain, the capital, belonged to the Government.

There have also been frequent confrontations between the police and Mr Abu Bakr's followers over narcotics. The police claimed to have found drugs on the sect's premises, but the Moslems countered that the narcotics were seized from traffickers and users during their own efforts to curb abuse.

While there is little to support the Moslem's claim that the attempted coup had national support, it set off a train of events which will leave deep political and economic

scars on the English-speaking Caribbean republic.

Most Trinidadians have only distant memories of the last coup, staged unsuccessfully 20 years ago by Black Power militants.

In 1979 the Government in Grenada, Trinidad and Tobago's neighbour, was overthrown by leftists, setting off a chain which led to an American military invasion four years later.

With these events in mind, some regional leaders, meeting in Kingston this week for the annual summit of the Caribbean Community, are suggesting greater co-operation in security matters and the possible creation of a strike force to protect elected governments. But they balk at suggestions that the region is becoming a zone of instability.

Regardless of the outcome of the crisis in Trinidad and Tobago, the country will pay a heavy economic price. Port of Spain and several other towns have been hit by a sustained wave of looting and arson which has already caused millions of dollars worth of damage.

The security forces have been stretched in dealing with the lawlessness, as men and arms were concentrated on the parliament buildings and the state-owned television station where the hostages are being held.

Assistance in curbing public disorder, not in helping to free Mr Robinson and his colleagues, is what the Jamaican Government had in mind when it sent a contingent of troops to neighbouring Barbados yesterday to be at hand should Trinidadians request help.

Although Mr Abu Bakr may not have anything like the level of support which he claims, many Trinidadians were unhappy about Mr Robinson's handling of the country. He took office in 1989 at the head of a coalition which

scored a handsome electoral victory to end three decades of government by a single party.

But he inherited an economy shattered by a slump in the oil price, on which the country depends for more than two-thirds of its revenues. Despite structural adjustment pacts with the International Monetary Fund, economic austerity and currency devaluations, backed by other multilateral and bilateral financial help, the economy has been performing only marginally better.

Recent public opinion polls suggest the administration is losing support just over a year before an election is due.

Trinidadians are hardly likely to forget Mr Abu Bakr quickly. But when the insurrection started many did not take it seriously.

On Friday evening, while the Moslems were holding a gun to the head of the nation, several thousand Trinidadians went to their national stadium to cheer their team in the playoffs for the regional soccer championship. In the event, Trinidad and Jamaica played to a goalless draw.

Frictions leave common market an elusive target

The Caribbean Community searches for an economic and political identity, writes Canute James

WHEN the leaders of the Caribbean Community (Caricom) begin their annual summit in Jamaica today, they will have an unscheduled item at the top of their agenda. The attempted coup at the weekend in Trinidad and Tobago, a community member, has left some leaders suggesting that greater thought be given to regional co-operation on security matters.

The ideas being debated range from a security treaty, under which Caricom members would be bound to use national armies to assist elected governments which are threatened, to the establishment of a multinational "strike force" made up of troops from regional armies.

But despite the distraction of the developments in Trinidad and Tobago and the introduction of regional security matters on to the agenda, the summit's focus will be on pressing economic issues.

Like many of his colleagues, Mr John Compton, the Prime Minister of St Lucia, is concerned at the apparent lack of change in the region's economic development.



"We seem still to be doing the twist, a dance of the 1980s," Mr Compton claims. "There is a lot of movement, without any visible progress."

Since it was launched in 1973 the community, made up of the English speaking islands of the region along with Belize in central America and Guyana in south America, has struggled unsuccessfully to create an economic union.

The effort has been bedevilled by frequent trade rows between some members, the imposition of quantitative and qualitative trade barriers to protect national economies and

parochial concerns about larger members gaining more from the changes.

At this week's meeting, the Caricom leaders will review the progress they are making towards meeting the new target of 1993 for the establishment of a common market. By all indications they will not be happy. Battle lines have already been drawn.

The smaller members of the eastern Caribbean have objected to the speed at which Caricom is moving to establish a common external tariff for imports from third countries. At last year's summit in

Grenada the leaders agreed that the new tariff structure should be implemented by next January. Now there is no sign of unanimity.

The proposed structure promises low rates of duty on imports which do not compete with goods produced within the community, but sets high rates on any imports which are likely to injure domestic industry.

Rates differ where the imports are raw materials or finished products, and agricultural products will be given protection while inputs for agriculture will be subject to very low tariffs.

The new measures, if implemented, will streamline the three different tariff structures used in the community.

"There is need for the common external tariff to stimulate production in the community," argued Mr Hayden Blades, director of Trade and Agriculture for the Caricom secretariat. "But the tariff structure must not encourage inefficient production."

Trade ministers from seven community members in the eastern Caribbean concluded

recently that the deadline for the implementation of the common tariff was unacceptable. Mr Hugh Marshall, Trade Minister of Antigua, contended that the new tariff would cause an "unnecessary increase in the cost of living" for the people of his country.

Mr David Coore, Jamaica's Trade Minister, said his country and several others would not accept any delay in the implementation of the new tariff, as this was already overdue.

Resolution of the problem at the summit is needed if the next target in the move towards a common market - the dismantling of remaining barriers to intra-community trade by next June - can be achieved.

The row threatens progress on several other issues which the summit will discuss. Efforts to increase the level of trade among Caricom members have met with only moderate success.

In 1981, intra-community trade was valued at US\$935.3m, but fell to \$439.4m in 1988. Trade recovered to \$558.8m in 1989 and reached \$509.4m in

the first three quarters of last year.

Financing trade has been a problem for the community since the collapse of a multilateral payments facility four years ago after it reached its ceiling of \$100m, with Guyana owing more than \$50m. Efforts to find an alternative were unsuccessful and the summit will again look at the possible reopening of the multilateral facility.

The establishment of a regional capital market is less problematic. Finance ministers have agreed that this will start with the cross listing of companies on Caricom's three stock markets in Trinidad and Tobago, Barbados and Jamaica.

The summit follows frequent statements by Caribbean political and business leaders that the region has to unite economically to survive global changes, especially as Caricom had a market of only 6.5m people. "This region cannot remain as a loose collection of small, weak, isolated economies if it is to survive," argued a Barbadian finance ministry official.

Colombian rebels killed by army

SIX leftwing guerrillas, who belong to a fierce band of indigenous rebels currently holding peace talks with the government, died in fighting with the army, a military spokesman said yesterday, AP reports from Bogotá.

Five men and a woman, all members of the Quintin Lame, a rebel group made up of indigenous tribesmen, were killed on Sunday in armed confrontations with soldiers in southern Colombia, the spokesman said.

The Quintin Lame and two other rebel organisations are participating in peace negotiations with the government.

Despite the talks, guerrilla-related violence in Colombia is showing little sign of subsiding. Each month, scores of soldiers, policemen and rebels are either killed or wounded in a chain of violence.

The country's two most active guerrilla groups, the National Liberation Army and the Armed Revolutionary Forces of Colombia, have refused to join the peace talks.

Earlier in the year another rebel group, the M-19, signed a peace treaty. Its leader, Antonio Navarro, ran for president in May elections. He came in third place, winning 12 per cent of the vote.

played their importance and denied allegations of disquiet in the armed services, finally closing the matter by saying: "The President does not have to give any explanation whatsoever."

Mr Fujimori vowed in his inaugural address to end corruption in high places, including the administration of justice, and human rights abuses.

Mr Fujimori's Defence Minister, Army General Jorge Torres, informed the two men of their dismissals on Saturday night, only hours after Mr Fujimori took office from outgoing president Alan García, a spokesman said.

"These changes are not normal, but they were decided by the new government," a defence ministry spokesman said.

Hurricane Bertha travels north

BERTHA, the first hurricane of the 1990 Atlantic season, churned along the Gulf Stream well east of the US coastline yesterday after regaining strength temporarily lost during the night, AP reports from Miami.

Born as a tropical depression off north-east Florida, Bertha grew quickly on Saturday into a hurricane with winds of 75 miles per hour (120km/h).

By midday yesterday Bertha had top sustained winds near 75 miles per hour and was 675 miles south-southwest of Nova Scotia.

The storm was moving north-east at nearly 13 miles per hour and was expected to stay at the same strength.

Earlier, Bertha kicked up the surf along Carolina beaches and sent gusts of up to 45 miles per hour towards Bermuda.

But forecasters said that because it was already edging northeast towards the open Atlantic when it was born, it was never much of a threat.

"It's mainly a concern to marine interests," forecaster Hal Gerrish of the National Hurricane Center said.

He said Bertha could reach the Canadian provinces of Nova Scotia and Newfoundland by mid-week.

Thousands still affected by Chicago black-out

By Barbara Durr in Chicago

A BLACK-OUT continued to affect tens of thousands of Chicago residents yesterday following a fire at an electricity company transformer on Saturday night.

Three members of one family died when candles, used to light their home, set it alight, and 49 arrests were made after sporadic looting.

The blacked-out area was a 14-square-mile patch of the west side of Chicago, a mostly poor section. The cause of the fire at the Commonwealth Edison electricity company is unknown.

Power was restored on Sunday to about 15,000 of the homes and businesses that were plunged into darkness on Saturday.

But some 35,000 customers were still without power and could remain without it for another two to three days,

according to company officials. The power failure comes as Chicago suffers a steamy heat wave and tempers are short.

Although some police officials compared the weekend street violence to the city's worst ever riots in 1968, Mayor Richard Daley said the looting was not heavy enough to require a curfew or a call-up of National Guard troops.

At times during the black-out police were unable to keep pace with the swarms of looters who sacked shops, corner groceries and liquor stores. Broken glass littered pavements.

Police said adults were seen sending children in through small openings to hand out merchandise.

Hospitals had to rely on emergency generators. Officials said back-up generators also kept the local jail secure.

Fujimori dismisses top military chiefs in first presidential act

By Sally Bowen in Lima

THE FIRST act of Mr Alberto Fujimori after being sworn in as Peru's new President on Saturday was to remove the head of the Joint Chiefs of Staff, who is also in charge of the navy, and the head of the air force.

Admiral Alfonso Panizo and Air Force General Germán Vucetich were caught unaware by their transfer to other posts. It is unprecedented for such high-ranking officers to be removed at the start of a government, midway through the armed services appointments year. Both Admiral Panizo and General Vucetich have demanded an official explanation.

At his first presidential press conference on Sunday afternoon Mr Fujimori was pressed on the removals. He down-

played their importance and denied allegations of disquiet in the armed services, finally closing the matter by saying: "The President does not have to give any explanation whatsoever."

Mr Fujimori vowed in his inaugural address to end corruption in high places, including the administration of justice, and human rights abuses.

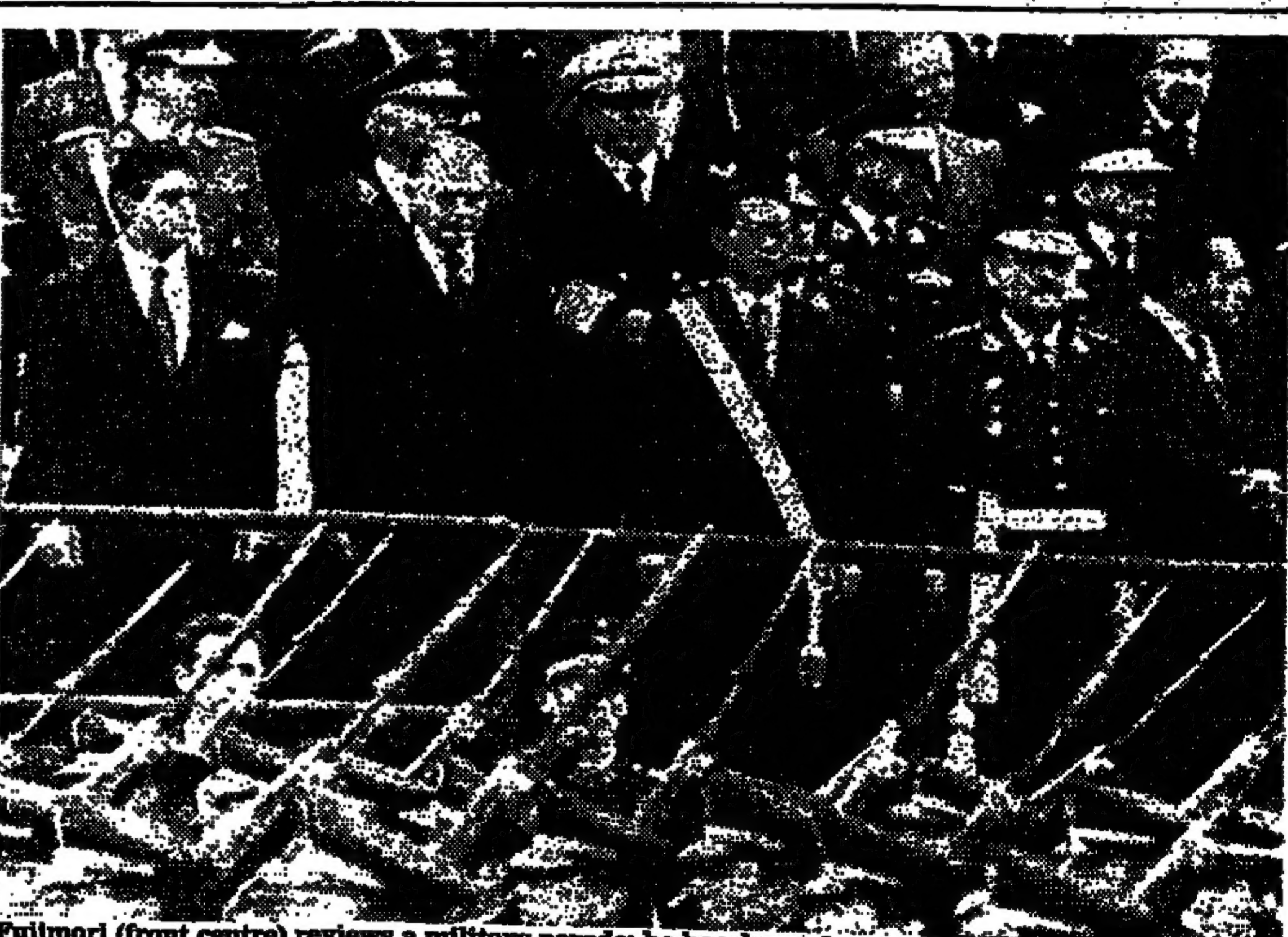
Mr Fujimori's Defence Minister, Army General Jorge Torres, informed the two men of their dismissals on Saturday night, only hours after Mr Fujimori took office from outgoing president Alan García, a spokesman said.

"These changes are not normal, but they were decided by the new government," a defence ministry spokesman said.

It is being suggested the admiral and general are the first targets of this campaign. The navy has acquired over many years a reputation for abuses in emergency zones of the Andes, and Gen Vucetich had been the object of recent media allegations of financial corruption.

The navy was also said by high-level sources to have been contemplating a coup against Mr Fujimori in the event of his victory in last month's presidential elections.

Air Force General Armando Velarde Ramirez, a former air attaché in Washington, is to replace Gen Vucetich. Vice-Admiral Luis Lecaros replaces Admiral Panizo, who is appointed to the Inter-American Defence Council in Washington.



Fujimori (front centre) reviews a military parade; he has downplayed the removals

Brazil faces some tough questions from IMF assessment team

By Christina Lamb in Rio de Janeiro

AN INTERNATIONAL Monetary Fund team arrived in Brazil yesterday to assess the results of the country's economic stabilisation programme.

The Government hopes the visit will result in a standby agreement to obtain by September loans of \$1.4bn (£760m) over 18 months.

But the figures the Government have prepared showing a turnaround from a budget deficit equivalent to 7.4 per cent of gross domestic product to a surplus of 1.22 per cent by the end of the year are likely to raise some awkward questions.

The impressive swing in government finances after years in the red is described by Ms Zelia Cardoso, the Economy Minister, as "unparalleled in history". Balancing of the government budget is essential for

the anti-inflation programme to work.

But diplomats and economists believe the year will end with a deficit of between 3 and 5 per cent. One diplomat described the government's projections as "wildly optimistic".

The main problem is that the budget calculations are based on two false assumptions. First they assume zero inflation since May, when in fact it was 8 per cent for May, 10 per cent for June and 12 per cent this month. Secondly they assume zero growth in GDP, which Mr Antonio Kandir, the chief economic policy planner, has already admitted will shrink this year. Economists predict a 3 to 5 per cent contraction.

Included in the projections are many one-off savings and payments, some of which will rebound to ill effect next year.

Expenditure in investment and operating has been reduced by \$36bn.

But cuts in agricultural subsidies have led to a considerable reduction in output; grain production, for example, having fallen by 14 per cent.

With no food stocks in the country the Government will have to import, using valuable foreign exchange, and diplomats forecast that subsidies will be required to get agriculture back up to a productive level. Similarly a 28 per cent cut in investment will increase the power shortfall.

The calculations ignore the fact that the 2,300bn cruzados frozen in a seizure of assets in March will have to start being paid back next September. The biggest factor in reaching the magic surplus figure is the government's declaration that they will make no payments of

interest or principal on their \$114bn foreign debt this year, a saving of \$10bn this year which will still have to be faced next year.

The savings in government expenditure will be less than the 1 to 2 per cent of GDP planned because the Government has been able to cut fewer jobs than the 350,000 promised. Of the 200,000 workers they claim to have dismissed, the majority remain on the state payroll because of constitutional safeguards.

Although the Government is assuming no pay increases before next April, already it has had to give a 28 per cent rise to the military and has agreed next month to pay a bonus to those on low salaries, which will cost a further \$1bn.

It is also by no means certain the Government will win the battle to de-index

wages from inflation.

The figures include \$5bn this year from the privatisation programme, which now seems unlikely to get off the ground before November. Only a fraction of this has been raised from compulsory purchase of privatisation certificates because the pension funds, which were obliged to provide \$5bn under the privatisation programme, are refusing to comply.

The most inexplicable part of the calculations is the assumption that state and municipal governments will generate a budget surplus. In the run-up to congressional elections in October they are more likely to be way over budget.

The trade surplus dipped in June to its lowest level since June 1988 when the exchange rate was frozen as part of an earlier drastic economic stabilisation plan. The non-payment of debt means it is becoming harder for Brazilian exporters to obtain credit and so this trend is likely to continue. It also means that the entrepreneurs needed to stimulate growth are unable to raise money to compete in Brazil's newly opening markets.

Thus even if the Government succeeds in reducing the deficit to the 3 to 5 per cent, in itself an impressive achievement, most economists believe this means shifting the problem to a future date.

It is unclear whether the Government will be able to stick to its austere stance as elections approach and with the poor harvest hit by the current recession. It is also facing considerable union problems with strikes at the Ford car plant and the National Steel Company.

Each year The Carat Espace Academy, fostered by The Carat Espace Group, the largest independent media buying and media service group in Europe, selects twenty to thirty young Europeans. All aged under thirty, the "Laureats" are paid 200,000FF over ten months and they are provided with a personal budget to cover expenses incurred in the development of their projects, research activities and other missions.

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Each year The Carat Espace Academy, fostered by The Carat Espace Group, the largest independent media buying and media service group in Europe, selects twenty to thirty young Europeans. All aged under thirty, the "Laureats" are paid 200,000FF over ten months and they are provided with a personal budget to cover expenses incurred in the development of their projects, research activities and other missions.

Application available from The Carat Espace Academy head office, to be returned before the 15th August 1990.

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UK NEWS

Financial services 'core rules' published

By Richard Waters

THE simplification of the UK's confusing and complex regulatory regime for financial services business moved an important step closer yesterday with the publication of the main draft of rules which will apply to all financial businesses.

The 40 so-called "core rules", published by the Securities and Investments Board, are the backbone of a new system to replace the much-criticised rule books introduced to implement the 1986 Financial Services Act.

The complexities of the present rules have brought frequent complaints from the financial community.

Mr David Walker, chairman of the SIB, made it one of his first tasks to attack the regulatory complexities and lack of accessibility when he took office two years ago.

Yesterday he said: "We do have a problem with regulatory fatigue at the moment. The fact is, transition to the simpler rules will involve costs, though at the end of the day it will make for more cost-effective regulation than the present encyclopaedias."

Although the redesigned rule books were originally intended to come into force this summer, they are unlikely to do so for some time yet.

The Securities Association yesterday became the first of the five self-regulating organisations to publish proposals for detailed "third tier" rules, based on the SIB's core rules, to apply to its own members.

However, it said that the new rules would not come into force until next year. Delays in the production of the core rules, and in clarification from the Department of Trade and Industry, have made it impossible to finalise the detail, it said.

The 40 proposed rules are expected to apply across the financial services world.

Comments on the proposals must be made by October 19.

© The Proposed Core Rules on Conduct of Business, SIB, 3 Royal Exchange Buildings, London, EC3V 3NL, £10.

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Safety on Channel tunnel criticised as death toll rises

By Lisa Wood, Labour Staff

SHARP criticism of safety procedures on the Channel tunnel contract came yesterday from Britain's Health and Safety Executive as it opened an investigation into the ninth death on the project.

The executive said that Transmanche-Link, the contractor building the rail link between Britain and France, had still "not yet got right the management of safety on this enterprise."

The seventh death on the British side of the tunnel occurred on Sunday night, less than three weeks after TML agreed a plan of action to improve safety.

According to the executive, Mr Charles McCourt, aged 45, was an experienced underground electrician who died while attempting to repair a damaged cable in the service tunnel.

Work on the marine service tunnel stopped yesterday while the executive's inspectors and safety crews from TML investigated the accident.

The results of the post-mortem examination have not yet been published, but the safety

executive said Mr McCourt appeared to have been electrocuted.

The accident was the seventh fatality among employees of Translink Joint Venture, the British half of TML.

One prosecution is pending against the consortium, following the death of Mr Garry Woodward in 1989. The case is due to be heard in September.

Translink Joint Venture is currently implementing the findings of a safety audit conducted by a safety executive's accident prevention unit.

The audit said that in some areas of safety management the standards were good. However, some were less good, indicating an underlying weakness in safety management, particularly in leadership and administration. This gave rise to an inadequate safety culture.

Mr Linehan said: "We have not yet got right the management of safety on this enterprise. The sooner that it is, the better for everybody."

The Health and Safety Commission, of which the HSE is the executive arm, regards the construction and civil engineering industry as one of its priorities for improvement. Legislation is planned, but the executive is awaiting the outcome of a European directive on the sector.

Mr Tony Linehan, the safety

executive's chief factory inspector, said at a press conference where the organisation was launching its "Plan of Work for 1990-91 and Beyond" that tunnelling was an inherently dangerous occupation. Construction generally had a bad safety record, with 147 deaths last year.

He would not comment on a question as to whether there had been corners cut, or that accidents were caused by bad management. He said that on the Channel Tunnel project trade unions had resisted any accusations that management had cut corners.

Mr Linehan said: "We have not yet got right the management of safety on this enterprise. The sooner that it is, the better for everybody."

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Mr Tony Linehan, the safety

Coloroll receivers sell Kosset Carpets to management team

By Alice Rawsthorn

THE receivers of Coloroll, the consumer products group which collapsed last month, have sold Kosset Carpets, one of the largest Coloroll companies, to its management in a buy-out.

Kosset, which is one of the leading players in the UK carpet industry, employs around 700 people at Bradford in west Yorkshire. The senior management team has taken control of the company in a deal worth around £17m.

The sale of Kosset comes less than a week after the disposal of Denby, one of Coloroll's ceramics companies, to another management buy-out. The only other Coloroll subsidiary to have been sold is Royal Winton, a small giftware company, which was bought three weeks ago by a third party.

Ernst & Young, which was appointed as receiver in early June, has closed the Coloroll furniture company. Mr Bill Roberts, one of the joint administrative receivers, said he was "hopeful" about the prospect of finding buyers for the remaining subsidiaries.

He said Ernst was "in various stages of negotiation" over the sale of the other companies with both management teams and third parties. In the meantime all the subsidiaries are continuing to trade.

Last week Ernst announced 100 redundancies at Crossley Carpets, Coloroll's other carpet company at Kidderminster in the Western England. Before the Crossley job losses Ernst had already made more than 1,200 people redundant across the Coloroll group.

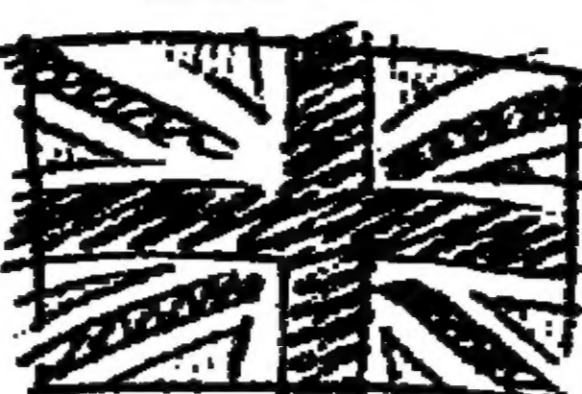
The Kosset buy-out means the receivers have sold off one of the largest parts of Coloroll. Kosset has annual sales of around £60m.

Coloroll bought Kosset two years ago in its ill-fated acquisition of the John Crowther textile group. At the same time Coloroll acquired Crossley Carpets and a group of carpet yarn spinning mills.

Mr John Parker, who was brought into Kosset as managing director shortly after the Coloroll takeover, said the business had recently returned to profit after years of losses.

The Kosset management buy-out includes an equity package from Philidrew Ventures, the venture capital company linked to Union Bank of Switzerland, and a debt package from Bank of Scotland.

BRITAIN IN BRIEF



ERM entry conditions proposed

UK entry into the EC exchange rate mechanism (ERM) should be accompanied by a devaluation of 15-20 per cent and heavy investment in manufacturing industry, the Institute for Public Policy Research proposed yesterday.

It also called for higher taxes and re-introduction of an incomes policy to ensure a shift of resources away from consumption towards investment.

Without such drastic measures "entry into the ERM at the present high exchange rate would institutionalise Britain's lack of competitiveness with disastrous long term consequences" the left-wing think-tank argued yesterday in a study entitled "Britain's economic problems and policies in the 1990's".

After 11 years of slow overall growth during the Thatcher years the study argued that drastic policy changes were needed to tackle a balance of payments deficit equivalent to 4.5 per cent of GDP and what it called a "dangerously ill-structured" growth in personal consumption and investment.

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where Northern Ireland has a natural advantage, such as activity based tourism, including angling, golf, horse riding, field sports and the development of the region's cultural and industrial heritage.

Tourism employs around 9,000 in the province and is worth more than £100m a year to the local economy.

City solicitors Slaughter and May has emerged as the leading firm of legal advisers on UK public takeovers during the first six months of 1990.

In a league table produced by the magazine Acquisitions Monthly ranking lawyers by the total value of takeovers in which they were involved, Slaughter and May came top by being involved in 21 deals with a combined value of £1,306m.

Freshfields came a close second with 22 deals worth a total of £1,850m and Norton Rose third with 10 deals worth £1,650m.

The figures for the first six months of this year are well down on the same period last year.

From January to June 1989 the top ten UK law firms acted as advisers to the main parties in 109 UK public takeovers worth £22,590m.

The comparative figures for the first six months of this year are 95 deals worth £9,890m.

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survey, and they expected to increase their exposure on balance.

European and Japanese equities were also the subject of buying intentions, but the managers expected, overall, to reduce their exposure to US equities and UK gilts. They also expected to be running down their cash balances, currently 7 per cent of assets.

Over the next year the fund managers expected sterling to remain relatively stable against both the D-Mark (falling to DM 2.87) and the dollar (falling to \$1.75). The rate of growth of earnings per share for quoted UK companies was forecast to rise from 4.5 per cent in 1990 to 5.1 per cent in 1991.

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UK NEWS

Maxwell prepares to float Mirror Group Newspapers

By Raymond Snoddy

MR Robert Maxwell, publisher of Mirror Group Newspapers, is once again seriously considering an early flotation for the national newspaper group.

MGN, as a private company, has been used as the acquisition vehicle for Mr Maxwell's growing newspaper interests everywhere from eastern Europe to the US.

This week he is expected to travel to Turkey for the final round of negotiations for the purchase of a large stake, possibly even a majority stake in Hürriyet, the country's largest daily newspaper.

In preparation for a flotation of MGN which could come later this year Mr Maxwell ordered a detailed valuation of the group which includes the Daily Mirror, Sunday Mirror, People and Scottish Daily Record from consultants Coopers & Lybrand.

The consultants in a valuation delivered to Mr Maxwell within the past few days are believed to have valued MGN Newspapers at between £500m and £600m.

Mr Maxwell bought the business from Reed International for £113.4m in July 1984.

Mr Maxwell first made his intention to float MGN clear in 1987 but he has never finally committed himself to a final



Maxwell: negotiations

date although there have been numerous conversations with stockbrokers.

At one time Mr Maxwell was divided between flotation and a sale to his quoted company Maxwell Communication Corporation.

Last December he unexpectedly announced plans for a management buy-out at The People, the popular Sunday which to some extent competes with the Sunday Mirror.

As a result Mr Maxwell said the flotation of the group would have to be postponed until 1991.

Mr Maxwell now regards the possible People buy-out as a separate issue which need not reflect the date of a flotation.

Mirror Group Newspapers is claimed to be making profits of around £50m a year although no formal figures are available.

Mr Maxwell is now saying that a flotation could be "imminent" although no final decision has apparently been taken.

Apart from the present level of profits MGN has successfully completed its move to colour printing and in recent months has had the edge over its main rival The Sun in the circulation battles in an intensely competitive popular newspaper market.

The MGN business is now an integrated editorial and printing operation. Last May Maxwell Communication sold the newspaper printing division to the unquoted MGN in a deal valued at £270.3m.

The newspaper printing and publishing businesses had been separated three years earlier largely for industrial relations reasons.

MCC took 25 per cent of the purchase price of British Newspaper Printing Corporation in redeemable convertible unsecured stock Mirror Group loan stock.

Terrorists use publicity as a motive

SOMETIMES THE IRA is indiscriminate. Sometimes it selects its target. The murder of Mr Ian Gow was designed to achieve maximum impact.

Mr Gow was murdered because he was outspoken on Irish affairs and because he was a close friend of Mrs Thatcher.

The notion that such murders might contribute to a withdrawal of British troops from Northern Ireland and Irish unity cannot really be taken seriously, even by the IRA. After years of such bombings there is no sign of a "Troops Out" movement growing in the mainland.

There is no evidence the attacks increase support for the IRA's cause. Sinn Féin, the IRA's political wing, has only about 10 per cent of the local vote in Northern Ireland and is under increased political pressure in many areas.

The IRA campaign seems bereft of a purpose other than publicity. The irony is that as the IRA appears to widen its campaign the process of finding a way forward in Northern Ireland is being pursued more actively than ever before.

The recent political initiative by Mr Peter Brooke, the Northern Ireland Secretary, might have run into problems, but the fact that the constitutional parties are actually discussing holding talks is no mean achievement.

The IRA is being marginalised. Its nationalism seems outdated in an Ireland increasingly conscious of its position in the European Community. Editorial Comment, Page 20

OBITUARY

Convictions cost a politician his life

By Alison Smith

THE POLITICAL future of Northern Ireland was never far from the parliamentary career of Mr Ian Gow. It was one of his consistent themes during his political career.

Though his ministerial postings and his backbench campaigning in opposition in the 1970s led him into a variety of other areas, his resignation from the Government over the signing of the Anglo-Irish Agreement in November 1985 which gave the Republic of Ireland some say in Northern Ireland affairs, indicated his strong opinion on the subject.

After his return to the backbenches in the Commons, he joined the Public Accounts Committee, the parliamentary financial watchdog, and in November last year was chosen for the task of speaking first in the debate which opened the current parliamentary session. Ironically, that made him the first MP to make a televised speech in the Commons, despite opposing the introduction of the cameras.

Born in 1937, Mr Gow was educated at Winchester. He carried out his National Service with the Hussars and saw service in Malaya. After national service, he qualified as a solicitor.

After losing two by-elections, he entered the Commons in 1974, after having been selected for the Tory constituency of Eastbourne, and established himself as an effective MP.

In 1976 he became secretary to the Tory backbench Northern Ireland committee, before being co-opted on to the frontbench team led by Mr Airey



Ian Gow in Belfast where he supported politicians fighting the Anglo-Irish Agreement

Neave, then opposition spokesman on Northern Ireland. Mr Neave was killed by the IRA early in 1979.

He achieved office as the first of Mrs Thatcher's parliamentary private secretaries.

Constantly in the Downing Street offices, his activities as liaison officer-cum-bag-carrier earned him the nickname "Supergrass" but led to a very close relationship with the Prime Minister.

In the 1983 parliament he was rewarded with the post of housing minister at the department of the environment. His

responsibilities in the department also included the water industry and he was the first minister to hint that the industry might be privatised.

In the September reshuffle that same year, he became a Treasury minister, numbering among his responsibilities European Community finance. But he had been there less than three months, when he resigned over the Agreement.

As a backbencher he developed a robust Commons persona, while remaining a staunch Thatcher supporter on all but Northern Ireland issues.

Mr Gow would have been remembered at Westminster for his contribution to the Northern Ireland debate, even had the manner of his death been different.

It was characteristic that in the first televised speech from the Commons last November, he restated the commitment not to give in to terrorism. "Terrorism flourishes where those who perpetrate it believe that one day terror will triumph. That is why all of us need to give no hint that it ever will."

Associated Aerospace to buy 50 Romanian jets in £1bn contract

By Paul Abrahams

ASSOCIATED Aerospace, a UK-based aircraft operating lease company, announced yesterday it is acquiring 50 aircraft from Interprimaria de Avioane Bucuresti, the Romanian aircraft manufacturer, as part of a £1bn deal.

Under the contract, which has taken two years to negotiate, British Aerospace, Rolls-Royce, Dee Howard and the AIM Group will supply components and technical support for the project for the medium-short haul 1-11 jets based on BAe's design.

Rolls Royce said last night it will be providing Tay 650 engines for the aircraft worth

about £125m. The contract covers an option for a further 50 1-11 jets in a programme that will run for at least eight years.

Production is planned to reach 10 or more aircraft a year by 1994. The first jet is scheduled for delivery for the end of next year.

BAe 1-11 aircraft are already manufactured at the Baneasa manufacturing complex near Bucharest after a technology transfer deal with BAe in 1978. However financing problems have limited production to one jet a year. These were supplied to Tarom, the Romanian national flag-carrier which has

leased them to western airlines.

Associated Aerospace, which is based in Hartley Wintney in Hampshire, refused to give details of its funding or possible customers for the aircraft.

Sir Geoffrey Pattie, MP, chairman of Associated Aerospace, said: "The rapid changes in the political situation across Europe are opening up many new opportunities for trade."

"Associated Aerospace will benefit from the resources and experience of Romania's aircraft manufacturing industry and Romania from the investment of a British company," he said.

Latest murder reflects problems in protecting targets

By John Mason

THE MURDER of Mr Ian Gow, chairman of the committee of Conservative MPs on Northern Ireland, illustrates the practical problems facing the police in providing effective protection to politicians considered to be potential terrorist targets.

The outspoken Tory MP, who supported the anti-republican stance of the Protestant Unionist Party in Ulster, had been advised by police to take precautions following the appearance of his name on an

IRA "hit-list" of 100 potential targets found in a south London flat last year.

Mr Gow, however, was determined not to allow this warning to affect either his lifestyle or his intention to reaffirm his strong belief in the union between Northern Ireland and the rest of the UK.

The killing of Mr Airey Neave, the Conservative Northern Ireland spokesman in 1978, and the bombing of the Brighton Grand Hotel during the Tory party conference in 1984

prompted increases in security measures and underlined the need for personal vigilance.

But while security at both the Palace of Westminster and the party conferences has been tightened considerably, police are still faced with a major task providing day-to-day protection for individuals likely to be targets.

It is well-known that prominent ministers, such as those in the Northern Ireland Office, Foreign Office and Home Office, receive a high level of

protection of which round-the-clock personal bodyguards can be just one measure.

This protection continues long after the politician has left office and is often provided for life. The level of protection is reviewed regularly in the light of the perceived threat - and the individual's willingness to accept incursions into their privacy.

The demands on manpower and other resources inevitably place a limit on the numbers

who can be offered such protection.

For some political figures, the police are only able to warn them about the potential risks and offer precautionary advice.

Mr Gow fell into this category. Despite his outspoken views about Northern Ireland, frequently repeated from the backbenches in the Commons, Mr Gow would have been left as the day-to-day judge of how to respond to a known terrorist threat to his own safety.

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IN THE SKY IS

COMING FROM,

BUT EVERYONE

KNOWS

WHO MAKES IT GO

WHERE IT SHOULD

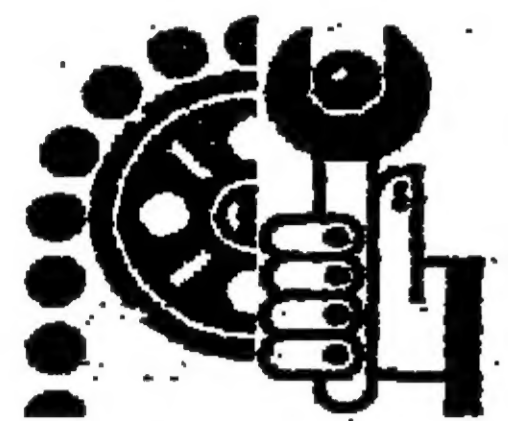
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FINANCIAL TIMES SURVEY

THE CHEMICAL INDUSTRY

Tuesday July 31 1990



The chemical industry, with an annual world output of about \$1,000bn, went through a boom in the late 1980s with quickly rising demand and prices for many of the diverse industry's products. The outlook for the 1990s, however is less bright, says Peter Marsh

Some positive chemistry

THE \$1,000bn-a-year world chemical industry, as it views the 1990s, is like a long-distance runner halfway around a circuit and pausing for breath.

The sector - which stands out among large manufacturing businesses both for its diversity and global spread - has been through sweeping changes over the past decade which have involved a change in emphasis in product strategy on the part of many of the leading companies.

Large amounts of capacity in many basic chemicals have been shed as much of the industry has attempted to concentrate on more specialised, relatively fast growing product areas such as paints, agrochemicals, pharmaceuticals and high-value plastics.

As for the next 10 years, the jury is still out on whether many of these so-called speciality areas of chemicals will be as big and as profitable for the leading players as they appear to be.

Expansion outside the main industrialised regions. Many expect chemicals demand in less developed parts of the world, including Eastern Europe and the Pacific rim region, will take off in the next few years.

Chemicals demand per person in many nations in these areas is less than half the average in western Europe and the US. This figure looks likely to grow considerably.

Resulting from this thinking many large companies are planning large investments in research and manufacturing in the Far East during the 1990s.

Environmental questions. The chemicals sector, as well as being highly obtrusive physically, creates large quantities of waste products. Also many of the materials which it sells - whatever their general use in everyday life - have their environmental downside in terms of being difficult to dispose of or dangerous.

The industry is being hard-pressed by environmental groups to come up with new approaches to environmental issues and is devoting more time to this aspect of its business than ever before.

Many in the business are reasonably optimistic. Mr Jean-René Fourtoun, chairman of Rhone-Poulenc, the biggest French chemicals group, says: "We (in the industry) still have problems, but you have to remember the progress has been huge. In the past 10 years we have reduced waste emissions considerably from our factories. In 10-15 years' time most big chemicals companies will be considered clean."

Industrial restructuring. In much of the sector, particularly the US, the shape of the chemicals industry in fields

like commodity plastics and other bulk-product areas has changed significantly in recent years. That has happened as companies have tried to move into new higher-value spheres or have swapped businesses between them.

One example is the recent \$3bn deal in which Rhone-Poulenc and Rorer, a medium-sized US pharmaceuticals company, agreed to combine their worldwide drugs operations. Another was the \$1bn takeover by Bayer of the rubber operations of Nova, a Canadian chemicals producer.

Some believe this trend to swap operations will ultimately spread to Europe. Mr Adam Mitt, an investment banker at Morgan Stanley, the New York bank, says: "I think we will see more restructuring (in the industry) in Europe."

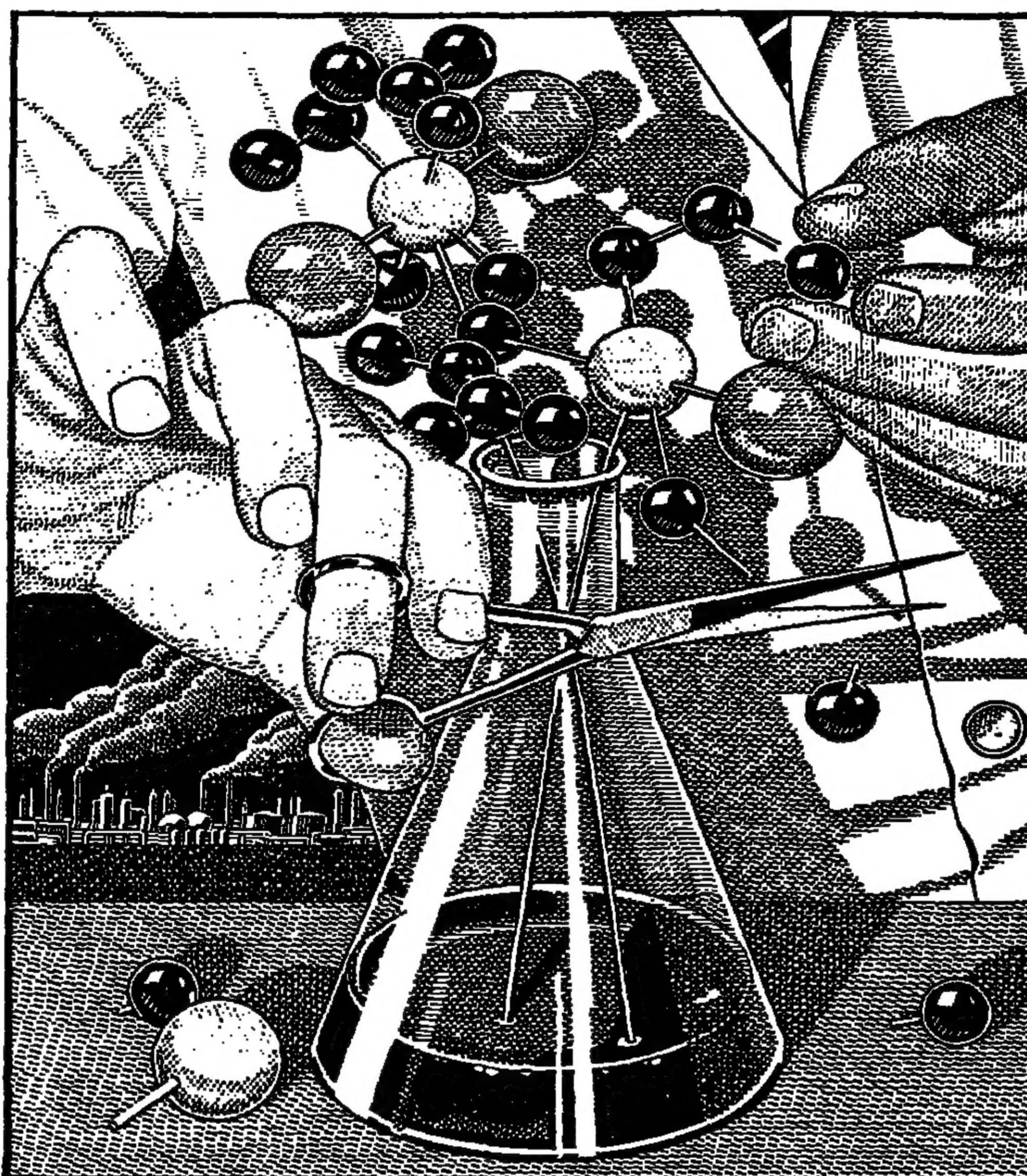
The chemicals sector is more widespread than many other industries as a result of its hundreds of broad product categories and the large numbers of raw materials for the business - which can come broadly from fossil-fuel sources such as oil or gas, or other commodities found naturally, such as sulphur, chlorine compounds and metal salts.

It typically sells roughly half its turnover to other manufacturing businesses rather than the consumer directly. These commercial areas include other sections of the chemicals industry itself; the sector trades between different arms to a greater extent than probably any other business.

Other important customer industries include electrical appliances, factory equipment, defence, cars, packaging and construction. The chemicals sector has its most important components in the developed world, with western Europe, Japan and North America accounting for roughly 70 per cent of world chemicals production and consumption.

Substantial opportunities exist for less developed nations to play a part, particularly at the lower-technology end of the chemical industry. In areas such as fibres, basic oil-derived chemicals, bulk plastics and fertilisers, several developing countries have in the past 10 years built up substantial expertise and production capacity. These include Taiwan, Thailand, Korea, Malaysia, Singapore and India.

The chemicals business's product divisions are notoriously difficult to unravel. The



sector includes a number of product areas akin to minerals extraction, for instance production of salt or titanium-dioxide refining, where selling prices are low. At the other extreme is the production of ultra-sophisticated chemicals, for use perhaps as the main ingredients for pharmaceuticals or agrochemicals, which require as many as 30 manufacturing steps and which may sell for several hundred thousand dollars (sometimes millions of dollars) a tonne.

In between these two extremes are large numbers of extremely common, basic chemicals where the selling prices are typically between

\$600 and \$3,000 a tonne. Into this category come many of the best-used chemicals building blocks, such as ethylene (an oil or natural gas-derived material used in production of most plastics), plastics themselves such as polyethylene, fibres, intermediates and many industrial chemicals such as solvents, polyurethanes and paints.

Several important product divisions of the chemicals industry exist more or less totally as service manufacturing operations for other parts of the same sector. In this category, for instance, come many petrochemical product areas (including ethylene) which

may be large industries in themselves but whose output is subsumed in making other "downstream" products.

The industry contains five main sectors:

● Petrochemicals. All are derived from the oil and natural gas which constitutes the most important basic feedstock for chemicals generally. They are mostly produced at high volumes and at low prices and most of the substances in this category are used as building block chemicals to make other synthetic materials.

● Plastics. This adds up to a \$120bn a year industry in its own right, although sometimes it is categorised under petro-

chemicals. World sales of plastics in 1989 amounted to about 90m tonnes, 75 per cent of which is accounted for by the four large selling plastics - polyethylene, polystyrene, polypropylene and polyvinyl chloride (PVC). Another important component of the plastics industry is the high-value, speciality sector known as engineering plastics. This area includes materials such as polycarbonate and acrylonitrile butadiene styrene (ABS) which have especially tough or heat resistant properties.

● Inorganic bulk materials. These are high-volume substances which do not contain carbon atoms. These substances may well come from starting blocks which are other than carbon-based fossil-fuel derived chemicals such as oil and gas. Among the biggest selling products in this area of the chemicals industry are chlorine, soda hydroxide, sodium carbonate (caustic soda), titanium dioxide and hydrogen peroxide.

● Fine chemicals. This is a group of materials which can be either organic (carbon containing) or inorganic. The main characteristic is that they are sold in small volumes and at high prices and use relatively sophisticated manufacturing routes. Another factor is that, often, the properties of the chemical itself are highly specific - in other words its development has been tailored to do a particular job. Fine chemicals are used in parts of the chemicals industry, including the production of crop-protection compounds and specialised industrial materials.

● Pharmaceuticals. This is a \$130bn a year industry, 75 per cent of which is accounted for by sales within the developed countries of western Europe, North America and eastern Asia. About \$100bn of these sales are from prescription-only drugs, the rest from over-the-counter medicines.

The late 1980s have generally been extremely good for the chemicals business worldwide. The sector was in trouble in the early part of the decade, when demand was at a lower level than capacity for many parts of the industry and in most developed countries with large chemicals businesses.

As a result of this, prices for many chemicals products slid, profits were low and the industry went through a period of restructuring in which capacities were cut and employment

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reduced.

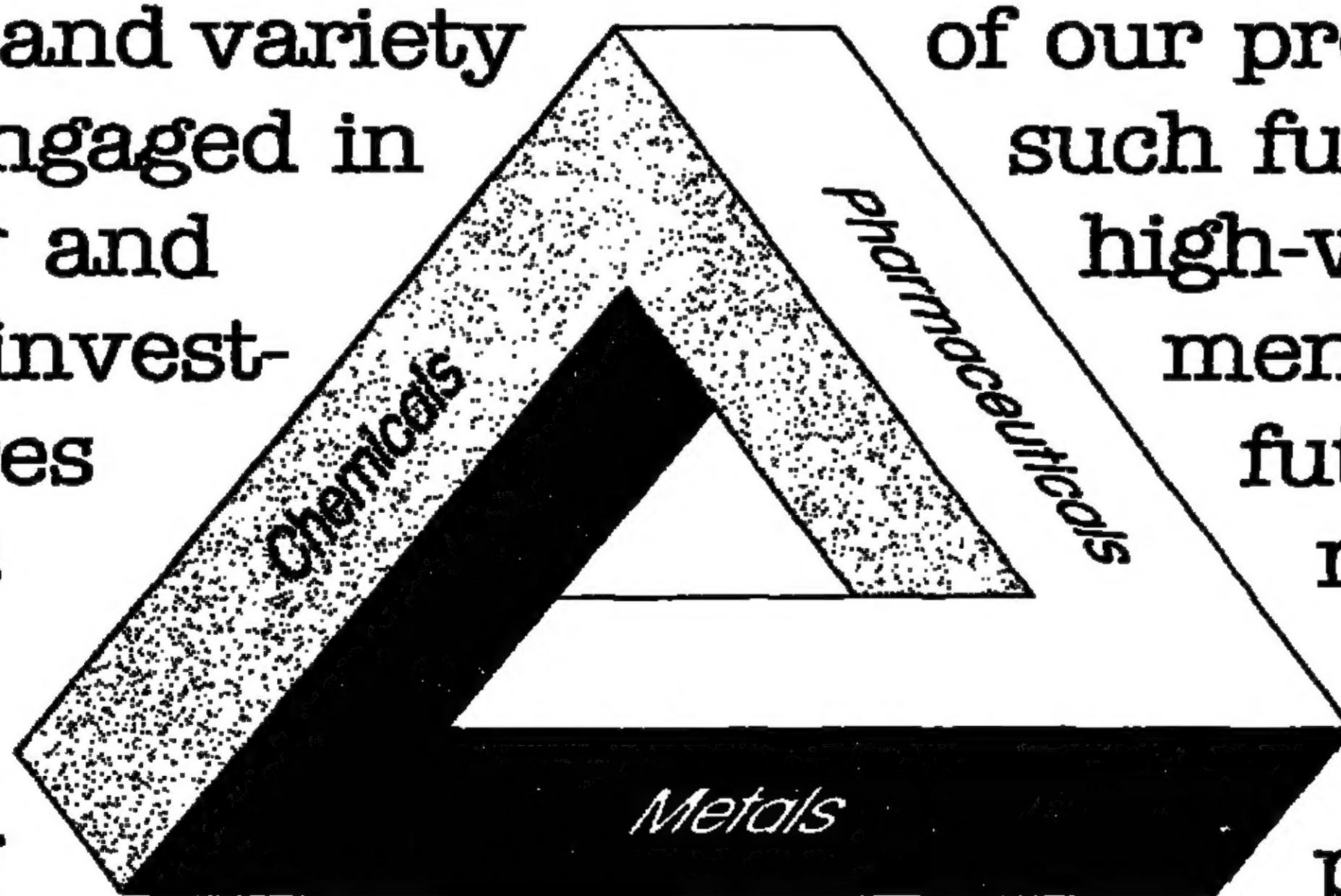
Since about 1986, the situation has improved in many parts of the world. Demand has improved in line with general economic expansion in much of the developed world. Prices, particularly for many of the low-value, high-volume basic petrochemicals, have increased.

The outlook for the early 1990s is difficult to judge. In 1989, the growth in demand slowed down in many developed nations. At the same time, increases of capacity, which had been sanctioned in the 1986-88 period as a result of the feeling of buoyancy in the industry, started to come on stream. That led to a falling away in the price rises and lower profits for many of the large chemicals companies.

During 1990-92, more capacity increases will come on stream in many parts of the industry. Demand expansion is likely to be less than for much of the 1986-88 period, due to a slowing down in the rate of economic growth worldwide. That will lead, so many observers believe, to a period of relative slump for the industry, although most onlookers do not expect this to be anything like as severe as in the early 1980s when the sector as a whole was in recession.

For the time being, the industry is gritting its teeth and hoping for the best.

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CHEMICAL INDUSTRY 2

INVESTMENT planning in the west European chemicals business at the moment resembles a highly charged game of poker. Throughout the industry, companies are announcing plans to spend large sums on new manufacturing projects.

Everyone knows some of these projects may never materialise, they are the chemicals equivalent of a poker player's bluff.

The machinations in the industry are of more than usual interest, as the west

Hoechst and BASF of West Germany and Britain's ICI — and employs 2m people.

Most of the announcements about new plants are made in good faith and are not deliberate attempts at deception. That some of them are unlikely to lead to anything in terms of construction is due to the underlying fear of overcapacity and its consequences that lies at the heart of the west European industry.

People in the business know that in many areas of chemicals, the demand/supply balance, materials prices and company profits are inextricably linked. If there is a hint of too much of a specific chemical appearing on the market — that applies especially to bulk chemicals such as high volume plastics and industrial materials like soda ash — then prices are likely to nosedive, and with them corporate earnings.

European chemicals business is one of the region's biggest manufacturing sectors, with an output of about \$350bn and a strong position in terms of exports and in profitability. The sector includes some of the world's biggest chemicals companies — such as Bayer,

This explains why, in a number of key sectors in the European chemicals business, observers have learned to be wary of assuming, after a plant has been announced, that it

will actually be built. Often a company may be dissuaded from going ahead with a project because competitors have dived in and tipped the supply/demand balance too far towards possible product glut.

Alternatively, in the several years between announcement of a new plant and the start of construction, market conditions for the chemical in question have worsened, putting a question mark over all new production in this field.

Examples of this gap between rhetoric and reality in the west European industry include the following:

● DSM of the Netherlands and Idemitsu of Japan were all set to build a new plant in Holland for making polycarbonate, an important material in the world's \$25bn a year engineer-

ing-plastics industry. Engineering plastics are relatively high value materials used in specialised applications in industries such as cars and aerospace. The Dutch/Japanese plan has just been shelved, partly because a number of other new European polycarbonate factories, run by companies such as Bayer and the US's Dow, are in the process of being built. There are fears these might push the industry into overproduction.

● Dow, along with a number of other leading companies, has announced schemes to study new sites in Europe for making ethylene, an important commodity in the chemicals industry which is made from oil or gas and which is the main feedstock for many large-selling plastics. Dow has

recently said that — rather than proceed with its own plant — it is to take some ethylene from a new cracker that BASF is to build at Antwerp in Belgium. This is no doubt to the relief of many of the other large ethylene producers, which feared that a new Dow plant could flood the market with the material.

● A number of European companies say they are going to proceed with new plants to make high-volume plastics such as polyethylene and polypropylene. According to Morton Stanley, the US bank, production capacity in these materials in western Europe, on the basis of companies' announced plant building plans, is likely to rise by 15 and 40 per cent over the next three years. But few believe — no

matter how impressive chemicals demand turns out over the next few years — that the market for these materials will be good enough to support all these investment schemes. In other words some companies will be forced to give up their expansion blueprints to the waste bin.

The signs of trepidation in the industry have come after the sector has enjoyed a good spell. Many of Europe's big chemicals companies have climbed out remarkably successfully from the fierce recession which hit the sector in the mid 1980s: in the past few years profits and growth in the industry have been above average compared to other sectors. And — in spite of warnings of gloom from the more pes-

simistic pundits in the industry who have said another downturn is on the way — sales and product prices have generally held up well in six months.

Many of the large companies have targeted low-volume, high-value speciality chemicals as the main areas for expansion, and have reduced their activities at the high-volume, commodity end of the industry where competition is higher and the balance between supply and demand is more difficult to get right.

Many companies have targeted speciality chemicals as the main areas for expansion

"If we do see a recession it will have more effect at the petrochemical (commodity) end of the industry," says Mr Jean-René Fourton, chairman of Rhône-Poulenc, the biggest French chemicals group which has moved much of its business into the speciality area

over the past five years by a series of acquisitions.

Even at the relatively high volume end of the industry, many in the business are optimistic. "People have been saying for some time that the demand for chemicals is dying down," says Mr Bryan Rigby, a managing director for BASF who is responsible for Britain, Sire and Scandinavia. "But the outlook is unexpectedly buoyant and better than anyone expected."

Figures from CEFIC, the west European trade association for chemicals, indicate that overall growth in the industry this year will, however, be less than in previous years at 2.5 per cent compared to 3.6 per cent in 1989 and 6.7 per cent in 1988. Investment is holding up reasonably well and this year across western Europe is likely to be 2 per cent above the industry's record spending in 1989 of \$23bn. Exactly how the figures for investment turn out later in the 1990s will depend on the outcome of the chemical industry's poker games.

Peter Marsh on development planning

A highly-charged poker game

Peter Marsh on the titanium dioxide industry

Du Pont sets sights on Europe

IN the world's \$8bn-a-year titanium dioxide industry, all eyes are on Du Pont, the industry leader, which is expected to be weighing up its first moves in this material in Europe.

In the manufacture of titanium dioxide, a brilliant white inorganic substance used as an additive in paints, plastics, cosmetics and paper, Du Pont has carved its position through shrewd application of technology and marketing skills.

The company, the US's largest chemicals group, has a worldwide production capacity in titanium dioxide of 600,000 tonnes a year, roughly a fifth of global capacity.

Up to now all its plants have been either in North or South America or the Pacific Rim region.

The company is thought to be considering expansion opportunities in Europe, probably by the route of buying up existing operations and investing in new technologies in these sites.

Titanium dioxide is a good example of changing fashions in the world chemicals industry. A few years ago it was

Leaders in titanium dioxide production, 1989

Company	Production (000 tonnes)
Du Pont (US)	600
Tioxide (UK)	500
SCM (UK)	400
NL (US)	320
Worldwide production	3 million tonnes per year

Source: FT estimates

written off as a boring commodity material. There was overcapacity in the industry and margins were low.

This led to several of the main operators quitting the business, improving the supply/demand equation and restoring prices.

About the same time

demand (particularly from paint makers) started to improve as a result of better world economic conditions, and the business was given a new lease of life.

Titanium dioxide is made by refining titanium-containing ores in a process that is highly environmentally obtrusive as it leads to large volumes of acidic waste products. Du Pont has a world lead in a specific set of reactions called the chloride process which makes titanium dioxide with considerably less waste than the rival sulphate process. This gives the chloride route the edge in any country where environmental matters are important, which these days means everywhere.

Production of titanium dioxide has in recent years been a fast growing, profitable part of the chemicals industry. The field is dominated by just four producers, which have about 60 per cent of world capacity. They are Du Pont; Tioxide (UK), a joint venture between ICI and Cookson; SCM (a US-based company owned by Hanson of the UK); and NL, a US

company. The latter three all have large operations in Europe, and it is thought Du Pont may be talking to all of them about possibly taking over some of their existing plants.

Other European operators which might be willing to sell some capacity to Du Pont include Rhône-Poulenc of France and Bayer of West Germany.

Kemira of Finland is another

The field is dominated by just four producers, which have about 60 per cent of world capacity

big European company in this material — it is the world's fifth biggest producer — but the state-owned company is thought unlikely to want to give up any of its capacity. It is believed to want to hang on to, and if possible increase, its stake in the titanium dioxide industry for long-term strategic reasons.

Traditional corporations seem worst off, writes Alan Friedman

Steep drops in profitability forecast for 1990

THE short-term outlook for the US chemicals industry is something of a mixed bag, with prospects for speciality chemicals and well diversified businesses looking far better than is the case for the traditional big basic chemicals corporations.

Analysts are forecasting an average 15 to 20 per cent decline in 1990 full-year earnings for many of the basic chemicals companies, and an even steeper drop in profitability for the more commodity-oriented producers such as Dow Chemical, Quantum and Union Carbide.

The problems facing commodity-influenced companies — such as overcapacity and weak prices — are worldwide, but the big North American producers are all to a greater or lesser degree victims of the slowdown in the US economy. For example, two of the most important customers of chemicals companies are the automobile and housing markets, both of which are facing extremely lean times.

Ms Jane Belcher, an analyst at the Chicago-based Duff & Phelps, points out that the first six months of 1989 saw the peak in the current earnings cycle, while the downcycle in earnings that is now under way could extend through part of 1990.

Like other chemicals industry watchers Ms Belcher says that the three companies most likely to suffer a drop in 1990 earnings are Dow, Quantum and Carbide.

She adds that additional polyethylene capacity is coming on line in the US industry, which is also expected to put pressure on pricing and margins for companies such as Dow and Carbide.

In New York, Mr Leonard Bogner of Prudential Bache predicts a 30 per cent fall in Dow's 1990 net income given that close to half of the company's revenues are commodity-based. Mr Bogner is expecting a 50 to 60 per cent slump in Quantum's earnings and a tumble of as much as 50 per cent for Union Carbide, which derives more than half its revenues from commodity-linked products.

Mr Theodore Semegran of Shearson Lehman Hutton says the Dow-Quantum-Carbide trio is facing

Analysts say companies such as American Cyanamid and Monsanto, which have diversified into health care and have shed some of the more marginal chemicals side earners, may well report an average 1989 earnings gain of 10 to 15 per cent.

Both these companies, how-

pesticides. The main biotechnology research concerns the development of pest-resistant crops such as the staples, cotton or corn.

By genetic engineering it is possible to develop seeds which have a built-in pesticide that will generate crops containing a protein which kills pests once they take a nibble of a leaf.

The commercialisation of these products is expected,

Specialty chemicals companies should do better than the industry average

however, to take several years.

On the brighter side it must be said that the US chemicals sector is one of the more globalised industries, with companies such as Dow, Monsanto and Du Pont deriving close to half their revenues from non-US markets.

World market problems notwithstanding, this is still something of a buffer for US companies whose European markets are not undergoing the same kind of sluggish growth as US manufacturing sectors that traditionally buy intermediate chemicals products.

In addition, specialty chemicals companies such as Morton International, Nalco and Betz are expected to do better than the industry average because of niche sectors such as the supply of chemicals for adhesives, electronics or even the waste water treatment sector. "Anything that is an environmental play or tied to pollution

control is a better performer these days," says Ms Belcher of Duff & Phelps.

Du Pont is a special case in the US industry because the company has been undergoing a slow, but steady transformation in recent years aimed at more efficient and diversified profit generation. Du Pont, which is principally a downstream company, should benefit from lower commodity chemical prices as it is a buyer rather than a seller of these products.

Du Pont's first quarter performance a 16 per cent decline in its net income to \$615m — was better than expected, although Mr Edgar Woolard, the chairman, said the company has "our work cut out for us" if it hopes to extend its four-year trend of steady earnings.

Mr Bogner, however, says that 1990 earnings per share estimates for Du Pont are being revised downward from the \$3.65 level to the \$3.40 to \$3.50 range against \$3.53 in 1989.

He attributes the lower

expectations to the weather-induced problems in agricultural chemicals and to soft demand and weak selling prices on the fibres side, which represents as much as a quarter of Du Pont earnings.

It may be small consolation for the US chemicals sector, but the current weakness in the market would have hit several companies far more harshly had it not been for the widespread restructuring exer-

The restructuring exercises of the 1980s saved many from worse trouble now

cises undertaken during the 1980s.

A decade ago the commodity chemicals business was a more dominant feature of the US industry, the relative reduction of its importance as a proportion of revenues will almost certainly turn out to be a saving grace for some in the 1990s period.

World chemicals market (figures in \$bn)

Region	Output	Exports	Imports	Home demand	Net trade
W Europe	340	52	25	313	+27
N America	275	33	22	284	+11
Japan	190	20	15	185	+5
E Europe	170	15	19	174	-4
Central/S America	54	6	15	63	-9
Far East	39	14	32	57	-18
India/Pakistan	25	1	5	29	-4
Africa	15	2	9	22	-7
Middle East	12	5	10	17	-5
Australasia	10	1	5	14	-4
Total	1130	149	157	1128	

Source: UK Chemical Industries Association

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The industry faces 'a long, slow decline in petrochemicals and plastics prices'

ever, along with Du Pont and others, have also been experiencing problems in their agricultural chemicals divisions because of weather patterns in the US and Europe that have reduced sales.

Monsanto and Cynamid are two companies that are also investing substantially in biotechnology research. In the case of the Missouri-based Monsanto, something like \$1bn has been spent over the past decade on plant, animal and human health science research.

This figure represents a significant gamble and the entire Monsanto effort is greeted with scepticism by Wall Street analysts.

All big chemical companies involved in the manufacture of pesticides are considering their options given the growing pressure from environmentalists and consumer groups to reduce or even eliminate the use of

CHEMICAL INDUSTRY 3

The future of the global chemical industry could be settled in the markets of the Far East, writes Mike Ward

US, Europe head east — and find stiff competition

Petrochemical industry in developing countries

KOREA: Advanced market, high per capita consumption, high growth rates, large exports of end user products, ambitious expansion programme, lacks domestic feedstocks.

CHINA: Largest market in the region, but low per capita consumption. Large importer of resins, high growth rate but growth is dependent on trade and currency restrictions and growth prospects are uncertain. Just finished an expansion programme, considerable new capacity under consideration.

THAILAND: New producer, small but fast growing market, moderate per capita consumption, limited feedstock availability, relatively expensive gas fractions.

MALAYSIA: Yet to produce basic

petrochemicals other than methanol, very modest domestic market, but moderate per capita consumption, large and inexpensive feedstock supplier, net long term exporter of gas and naphtha.

INDONESIA: Yet to be a producer of basic petrochemicals. Moderate size domestic market, low to moderate per capita consumption, long-term exporter of naphtha and gas fractions.

Chemical demand in Asia Pacific (US\$ billion)				
Country	1988	1992	Real growth	Rate per year
Japan	167	231	54	5.0
Korea	19	32	13	7.5
Taiwan	15	25	10	7.0
Asean	17	26	9	7.0
Hong Kong/PRC	40	68	28	8.0
Total	258	384	126	6.0
% world demand	25	27	24	—

Source: ICI

Tioxide is investing in a 50 000 ton a year plant in Malaysia, while Du Pont plans to establish two 60 000 ton a year plants in Korea and Taiwan. Dennis Reilly, Du Pont's director of titanium dioxide operations worldwide, predicts that Asia-Pacific will prove to be the most lucrative market for the white pigment. "Asia-Pacific will show fastest growth with rates of 5 per cent a year compared with 2.5 per cent a year in North America and Europe," he says.

ICI's Mr Milligan believes Taiwan is on a par with Korea with its plans to internationalise its petrochemicals, and Malaysia and the Philippines are poised to be the next big growth areas, although they will compete with Thailand and Indonesia for inward foreign investment.

Taiwan's largest company, Formosa Plastics, is looking to move production overseas. Petrochemical projects in Taiwan have become the target for severe environmental opposition. Formosa Plastics has seen rival Taiwanese company Chinese Petroleum Corp plans for a complex in Kaohsiung turned down, and is concerned its own proposal for units at Yi Lan

may also fall at this hurdle. The company has threatened to shift its investments to mainland China, but industry analysts believe this may be a ploy to put pressure on Taipei. Formosa Plastics had threatened to build a plant in the US but that too faces local opposition.

While Taiwan tries to sort out its internal problems, Thailand, Indonesia, Singapore, Malaysia and the Philippines continue to attract foreign investment. Thailand's government has placed chemicals at the top of its industrial priority list. The country's first petrochemical plants are now coming on stream, and foreign firms are queuing up to invest in Thailand's second complex. While the first facility produces ethylene from ethane gas, the new complex at Map Ta Phut will use naphtha, allowing for production of many different derivatives. When this complex starts up, Thailand will be able to supply most of its petrochemical needs.

Indonesia is also seeking petrochemical self sufficiency. Projected growth rates vary, but numbers as high as 13 per cent a year are being quoted. Currently, there are plans for two major petrochemical com-

Global paraxylene production profile (%)			
Region	1989	1992	1995
North America	34.5	31.9	24.5
Japan	17.5	19.9	15.8
Rest of Asia Pacific	12.6	20.4	27.7
Western Europe	16.8	13.2	11.5
Eastern Europe	10.7	8.2	6.5
Africa/Middle East	2.4	2.1	4.3
Latin America	5.8	4.3	4.3
Total production*	8.07	10.77	14.06

* millions of tons

Source: PCI (Polymer & Polymeric) Ltd

plexes on the drawing board. Shell leads one consortium for a \$1.5bn complex in West Java, while a group of Japanese chemical firms including Mitsui and Toyo Menka Kaisha have recently unveiled plans for a competing project. Other proposals for Indonesia include a polystyrene unit by US chemical multinational, Dow, and polyethylene production planned by a consortium led by BP Chemicals.

Like Indonesia, Malaysia is an attractive location for petrochemical activities because of its access to low cost feedstocks. Two major investments for ethylene and derivative production are planned for Malaysia: Taiwan's CGPC is proposing a \$500-\$600m complex at Pasir Gudang, while BP

Chemicals is teaming up with Japan's Idemitsu and the Malaysian state energy company, Petronas, for a \$1bn ethylene/polyethylene complex in Terengganu state. Petronas is already linked up with Idemitsu and Finland's Neste for a propylene/polypropylene/MTBE complex at Gebeng, Kuantan.

Singapore's government has turned down the gas on its own petrochemical interests which has opened the gate to private investors. Shell was able to increase its stake in the Singapore complex when it acquired the 60 per cent stake of Singapore's Petrochemical Corp which was held by the ministry of finance, state investment arm Temasek Holdings and DBS Bank. With the

acquisition Shell was able to secure a share in the country's ethylene/propylene units as well as polyethylene and polypropylene facilities. Far Eastern sources report Shell may also be considering linking up with Japan's Chiyoda to produce aromatics in Singapore but these have not been confirmed by the company.

Plans for a Philippines petrochemical complex at Batangas, Luzon Island, are progressing in spite of the withdrawal of Taiwan's CGPC late last year. Never the less, Taiwan's USI Far East is still holding a 60 per cent majority share in the project, which will produce ethylene, polyethylene and polypropylene, but is looking for partners.

While Western multinationals are pushing to increase their share of the Asia-Pacific markets, it is clear the traffic is not all one way. Japanese firms, in particular, are now turning their attentions to North America and Europe to globalise their interests. So far, the efforts have been low key with a joint venture here and a small acquisition there. However, the recent acquisition by Mitsubishi of North American plastics manufacturer Aristech may signal a more active future.

CHEMICAL industry chiefs agree on one thing: future prosperity lies in the Asia-Pacific region. With forecasts that as much as 40 per cent of chemicals growth will come from this part of the globe, it is hardly surprising US and European chemical companies are heading eastwards.

Much to their dismay, it is becoming clear Western firms may not have things all their own way. Japanese chemical producers are already able to compete in the global market place, and the South Koreans are not far behind. Moreover, the rapidly expanding petrochemical capacity in the region could prompt a worldwide return to the profitless days of overcapacity. Indeed, the future of the global chemical industry could be settled in the markets of the Far East.

Most Western chemical multinationals have established at

least a sales presence in the highly lucrative Japanese market. Japan's Ministry of International Trade & Industry confirms that in 1988 Western companies based in Japan achieved sales exceeding \$13bn — about 9 per cent of the Japanese chemical industry's total shipments. In the past five years, Japan has seen a 27 per cent increase in the number of research centres established by Western chemical firms.

In 1988 Western companies based in Japan achieved sales exceeding \$13bn

Japan is also seen as a springboard into the faster-growing markets of the region. Japanese petrochemicals production in 1989 reached an all-time high with double digit growth reported for key chemical building blocks such as ethylene and benzene as well as plastics.

It is clear to the big Japanese producers, however, that the boom times will soon be over. Unlike the rest of the Asia-Pacific region, high production levels were not a response to higher domestic demand, but were the result of a number of external factors such as production problems at foreign companies, low energy costs and steady global demand, none of which are controllable or sustainable.

With the scaling up of petrochemical facilities in South Korea, the Japanese industry is having to shift its priorities. Mitsunaka Saitoh, general manager of Japanese chemical producer Tosoh, believes Japan will move away from production of low value high volume bulk commodities such as ethylene to the more sophisticated and higher value added specialty chemicals. "Japanese chemical manufacturers cannot stay with commodity chemicals if they wish to remain competitive," he warns.

Nevertheless, Japanese firms are unlikely to completely abandon petrochemicals, and plants are being planned and built both in Japan and elsewhere in the Asia Pacific region. Showa Denko plans to expand its Ohta-based petrochemicals complex into Japan's largest ethylene production site at 720 000 tonnes a year — it will be Asia's largest petrochemicals complex. Tosoh Corp is also planning to build up petrochemical operations with a new ethylene plant, and PVC and plastics production. All in all there are plans for five new ethylene plants in Japan which could prompt a return to overcapacity.

More serious, however, is the situation developing in South Korea. The petrochemical

industry there is enjoying a period of rapid expansion, with new ethylene plants starting up this year and others being built. Without doubt there will be a glut of ethylene in South Korea even though two firms, Samsung General Chemical and Hyundai Petrochemical, have been ordered by the government to export half their production.

Producers are not unaware of the dangers of petrochemical overcapacity, and indeed it is to head off this situation that Samsung and Japan's Mitsui Petrochemical are forming a joint venture to produce both polyethylene and polypropylene in South Korea. The new plant will use Korean ethylene and Samsung will benefit from Mitsui's experience in operating petrochemical plants.

South Korea is forecast to exhibit the fastest growth over the next few years.

Much of the planned investment in the developing Asia-Pacific economies is for either basic chemical raw material complexes producing ethylene and aromatics, or plants for the production of the chemical raw materials for industrial growth. Already existing petrochemicals developments have contributed to the increase in global market share of Asian producers in a number of key sectors. The Asia-Pacific region now accounts for 34 per cent of all synthetic fibres and 17 per cent of all plastics produced. It is predicted the polyester market will grow by 10 per cent a year over the next five years.

Synthetic fibres production requires pure terephthalic acid (PTA), which is itself manufactured using paraxylene. There are plenty of plans for PTA and paraxylene plants in the region to support the growing synthetic fibres industry.

In addition to Japanese, Taiwanese and South Korean firms, ICI has thrown its hat into the ring with 350,000 ton a year PTA plants in Taiwan and Thailand. Most analysts see the ICI plants as a bold move, as there is likely to be some overcapacity in the region. Nevertheless, ICI senior planner Bob Milligan said it is the company's strategy to double ICI sales in the region from 8 per cent to 15 per cent by 1995.

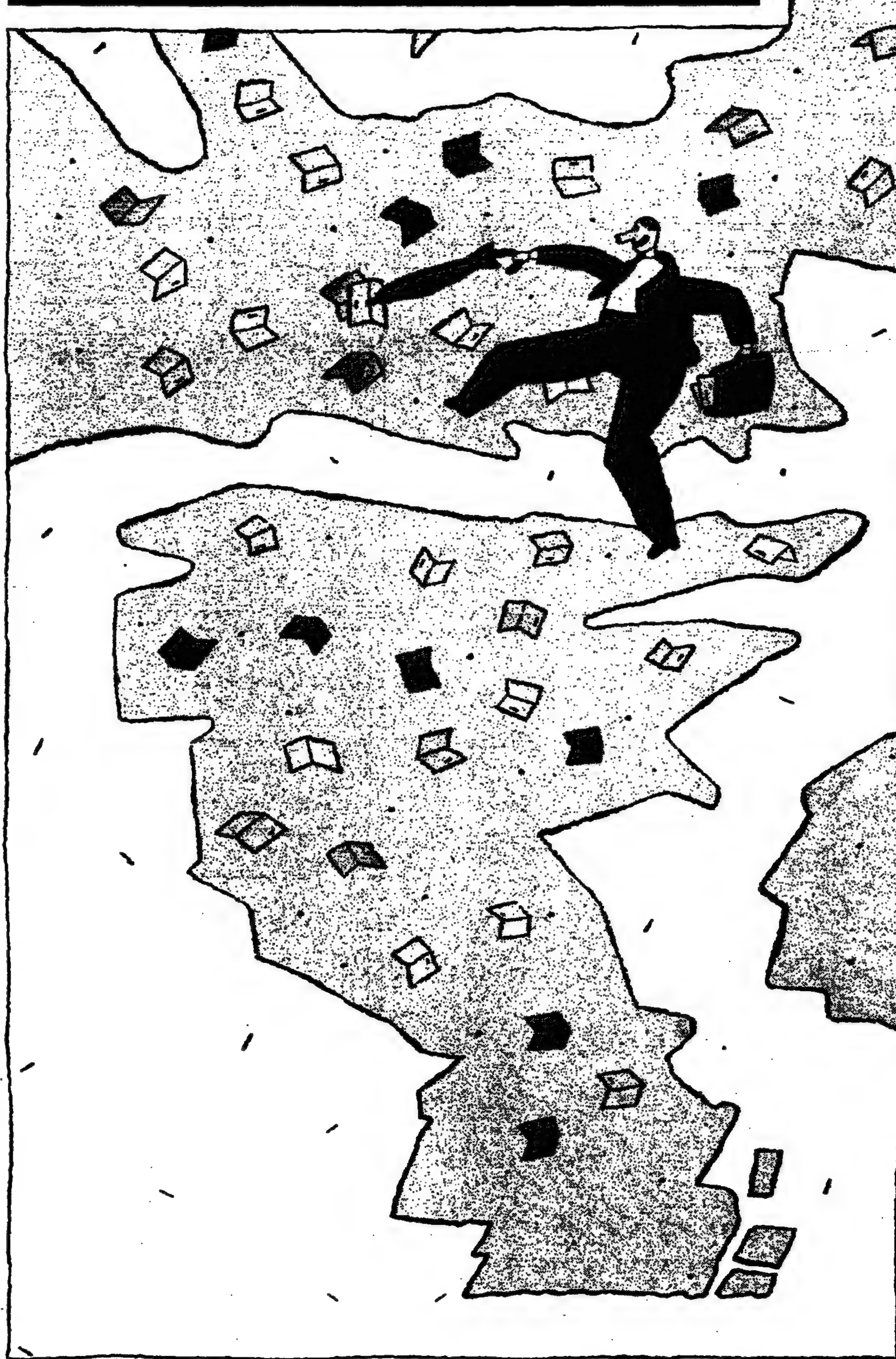
To assist this objective, ICI recently established headquarters in Singapore to co-ordinate its operations in the region. ICI may face stiff competition from PTA producers in the region and even from some of its potential customers. South Korean polyester makers Sunk-

young and Samnam are linking up with local raw material suppliers Honam Oil and Yukong. But there is likely to be plenty of paraxylene available in the region if plans by Western Oil firms such as Shell, Exxon, and Mobil materialise. Ciba-Geigy, Akzo and Du Pont are also hoping to tap into the burgeoning synthetic fibres industry.

Dr Andreas Zurcher, head of regional services for Asia and Australia at Swiss major Ciba-Geigy, believes plastics and textile expansions will fuel demand for its additives and dyestuff chemicals. Dutch chemical major Akzo sees the fibres sector as a key growth area in region and intends to invest in production.

Du Pont, a leading US player, recently unveiled ambitious plans to invest in fibres in the region. Vik Bery, Du Pont's director of business hal-

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TOP 15 CHEMICALS COMPANIES 1989		
Company	Sales (\$bn)	Pre-tax profit (\$bn)
BASF (West Germany)	28.16	2.58
Hoechst (W Germany)	27.16	2.45
Bayer (W Germany)	25.82	2.43
Du Pont (US)	21.40	1.83
ICI (UK)	21.25	2.48
Dow Chemical	17.60	3.92
Ciba-Geigy (Switzerland)	13.36	1.01
Rhône-Poulenc (France)	12.60	0.94
EniChem (Italy)	11.84	1.98
Royal Dutch/Shell (Anglo-Dutch)	11.08	1.57
Exxon (US)	10.47	1.08
Alkzo (Holland)	9.82	0.72
Union Carbide (US)	8.74	0.87
Monsanto (US)	5.68	1.01
Solvay	7.27	0.48

chemicals only. *After-tax operating profit; **Gross operating profit; ***Net profit
Source: Chemical Industry Newsletter

CHEMICAL INDUSTRY 4

Natasha Alperowicz and Tony Cox on the eastern Europe position

Political, economic change have wide impact

SOME time in the next two years, if all goes to plan, East Germany's giant plastics and rubber combine, Chemische Werke Buna, will close its ageing and grossly polluting carbide furnaces and hook up with the West European ethylene pipeline network for its petrochemical feedstocks. This will be the most visible sign of the increasingly close integration of the East and West European chemical industries following the dismantling of the Berlin Wall and the rejection of communism by most of the East European countries.

Political and economic changes in the region will have a profound effect on the chemical industry. The most important factors are hard currency trading, privatisation and growth of the market economy, and reunification of the two Germanys.

Most East European countries are heavily dependent on the Soviet Union for oil, gas, phosphates, and other raw materials. With the scheduled move to hard currency trading on January 1, 1991, the cost of oil, for example, will more than double from this year's \$6 transferable roubles a ton to around \$120 a ton. This, together with the recent supply cutbacks by the USSR, poses a serious challenge to the chemical industry, and will clearly damage its profitability.

Far from wanting to sever links with the Soviet Union, the East European states are keen to boost trade to cover their increased raw materials bill. However, the USSR will be under no obligation to favour their products, and may choose

to spend its new hard currency earnings on Western imports, which are generally seen as being of higher quality. As a result, the East Europeans will become increasingly active on the world market, both as sellers of finished goods and buyers of raw materials.

This process will be reinforced by the progressive breakdown of the specialised bilateral and multilateral trading agreements under which they supply small-volume products such as pesticides, dyestuffs, pharmaceuticals, etc, to the USSR in return for energy-intensive chemicals like ammonia and methanol.

Can they compete? Several of them have long had a presence on the world market in selected products - Hungary in pharmaceuticals, Czechoslovakia in polymers and rubber chemicals, Bulgaria in soda ash, East Germany in potash and the USSR in fertilisers, for example - but in general, four decades of restrictive trading arrangements have provided little incentive to keep pace with improving international standards.

In addition, many of the plants are old, inefficient and of less than optimum size. For example, more than half of all Soviet ethylene plants are more than 20 years old, but account for less than a quarter

of capacity.

Also, the switch to an entrepreneurial way of thinking necessary in a market economy will be no easy task for a generation of managers weaned on centralised planning.

Foreign investment will have a vital role in this transformation. "We expect foreign investment not only to accelerate the modernisation of our industry, but also to accelerate the process of establishing private enterprise and, last but not least, to supply managerial and technical know-how, which we are to a large extent lacking," said Zdenek Pokorny, of the Czechoslovak State Planning Commission.

Privatisation is most advanced in Hungary, where many of the major pharmaceuticals, plastics and fertiliser producers have been put up for sale. Chinoin, the leading hard currency pharmaceutical exporter, will be owned by private investors, including a Western drugs manufacturer, before the summer is out. In East Germany, some enterprises will re-establish links with their pre-war partners in the West. Czechoslovakia is developing privatisation proposals, and has received exploratory offers from US, German and Japanese firms interested in several chemical plants. Poland and Bulgaria are also keen to attract private capital. So is Romania, although recent political turmoil is a disincentive for potential investors.

While nobody underestimates the problems in Eastern Europe, the opportunities are

considerable. The region is home to more than 420m hungry consumers and a well educated workforce, right on Western Europe's doorstep. Moreover, the market is still underdeveloped by Western standards - per capita consumption of ethylene, the industry building block, is only 23kg a year in Eastern Europe and 11kg a year in the USSR, compared with 41kg in Western Europe, 70kg in the US and 83kg in Japan.

Industry experts believe the plastics market could easily sustain growth rates of 5-10% a year. This potential looks doubly attractive against a background of sluggish growth and surplus capacity in the West.

The release of pent-up consumer demand is adding to the market opportunity. Western suppliers of consumer-related products such as synthetic fibres, dyestuffs, detergents, cosmetics, toiletries and pharmaceuticals are already benefiting from an upsurge in sales to East Europe. Unlike their predecessors, the newly installed democratic governments cannot afford to antagonise public opinion by restricting these imports.

Furthermore, grassroots pressures are limiting local producers' ability to supply. The emergence of an active environmental movement has been a common theme in all the popular revolutions that have swept Eastern Europe, as quality-of-life arguments supersede the old production-led philosophy. Indeed, there is a theory that in the USSR such groups received tacit encouragement from the reformists at local level as a means of loosening the Communist Party's stranglehold on the country's economic and political life.

Green pressures have already forced many plants to close. In February, it was reported that 17 plants with an annual production value of 277m roubles had been shut down in the Soviet Union over the previous two years because of their poor environmental performance. The list includes plants producing fertilisers, chloralkalis, organic intermediates, cellulose fibres and films, plastics and single-cell pro-

teins, as well as the USSR's only plant for chloroprene rubber.

A similar fate has befallen plants in the other East European countries - soda ash and man-made fibres in Poland, chlorine and caustic soda in Romania, pesticides and rubber chemicals in Czechoslovakia, to name but a few.

Special problems are likely to arise in East Germany as it unites with arguably the most environmentally conscious nation in the West. It is estimated that around half the East German chemical industry would close down if forced

A united Germany poses a green problem for E Germany's industry

to conform to West German environmental standards. Pesticides and fine chemicals plants at Magdeburg have already stopped production following cross-border forays by West German Greens, and 39 plants at the giant Bitterfeld combine (reputedly the pollution capital of Europe) will also be shut down in the near future. Many of the polluting coal and lignite-based power stations and chemical plants will also not survive union with the West.

While conscious of the market potential, most Western companies are taking a cautious approach to direct investment in Eastern Europe. John Mitchell, chairman of ICI Eastern Europe, says that before committing major capital resources, "Many Western companies would be keen to find specific customer-service-related investment opportunities, including application technology transfer and training, and local storage/formulation/packaging services."

This is the policy being followed by ICI, which does \$300m a year of business with Eastern Europe. The UK company has already announced a small investment in an industrial paint joint venture in Leningrad, collaboration in nylon 6 and 66 in East Germany, and licensing/formulation agreements for Tenormin, its best-selling heart drug, in Hungary and Czechoslovakia. It is discussing seven or eight other joint ventures in the region.

In a significant legal breakthrough, ICI has just established its first wholly-owned subsidiary, as opposed to representative office, in Eastern Europe. ICI Poland Ltd has all the rights of a local company, and can trade directly with any Polish enterprise in local currency.

Dow Chemical of the US is one of the most high-profile traders/investors in Eastern Europe, with a manufacturing presence in Yugoslavia since the 1970s. The first joint venture with a Warsaw Pact country, a trading company, was set up in Bulgaria in 1985, and the second has started production of expanded polystyrene in Hungary. Dow has also proposed a joint venture at Shevchenko in the USSR to make styrene and polystyrene initially, and then ethylene and polyethylene.

Shevchenko was one of seven \$1bn-plus petrochemical complexes in the USSR proposed by Western partners in the first flush of enthusiasm

for perestroika. They were intended to process the country's abundant natural gas reserves to meet its growing need for plastics. Since then, two have definitely been cancelled and three are expected to remain more or less dormant until the USSR's political and economic uncertainties have been resolved.

The two most active projects are contractor-led. Wespec, a joint venture between ABB Combustion Engineering of the US, Messer Oy of Finland, and Mitsubishi and Mitsui of Japan, is planning a \$2.2 billion petrochemical complex at Tobolsk, Siberia, to manufacture 450,000 m.t. a year of polypropylene and 30,000 m.t. a year of SBS thermoplastic rubber. Progress, however, has slowed recently, mainly because of difficulties in raising finance, and it is now expected to begin production in mid-1996.

In June this year, the UK contractor John Brown formed a joint venture with Gazprom, the Soviet natural gas concern, to build a \$500m ethylene/polyethylene complex in the remote Novyi Urengoi region of northern Siberia. Asetro (Novyi Urengoi) is a repeat of existing John Brown projects at Budyonovsk and Kazan to double polyethylene production.

Both Wespec and Asetro will need to sell large quantities of their output in the West to pay for imported technology and equipment. Wespec alone would sell more than 360,000 m.t. a year of polypropylene through Neste. On a smaller scale, Petrokem, the first Western petrochemicals joint venture in the USSR, will shortly commission its 60,000 m.t. a year ethylene glycol plant at Nizhnekamsk. The foreign partner, Mineraloel-Rohstoff-Handel of W Germany, will sell the entire output in the West.

Several companies that were initially attracted by the potential for specialty chemicals have since pulled back. For example, Monsanto has abandoned plans to manufacture its best-selling roundup herbicide in the USSR because it would have had to back integrate too much - it is still discussing an ABS plastics joint venture - and Sandoz has withdrawn from a project at Krym for environmental reasons.

Most observers predict the powerful West German chemical groups will be the main beneficiaries of the changes in Eastern Europe. Yet they appear to be cautious, being understandably preoccupied with forging new links with their East German counterparts to benefit from reunification.

To mention a few examples, Chemische Werke Buna, the East German plastics and rubber combine, is negotiating an agreement to form a 50-50 joint venture with Huels in the West. Henkel has agreed a technical co-operation with East Germany's leading detergents combine Waschmittelwerk Genthin. Hoechst has signed a similar agreement with Lacufa, the leading paints producer, and BASF is discussing co-operation in production and marketing with the Schwarzhelde polyurethanes combine.

Even so, many West German companies are reluctant to take over ownership of East German assets for fear of unknown, long-term environmental liabilities.

EXPLOSIVES

A field of strategic importance

EXPLOSIVES used in civil engineering form one of the oldest parts of the international chemicals industry. The area is also, in product terms, one of the most stable, with relatively few innovations in the past century to change the basic character of blasting agents.

None the less, the sector gives a snapshot of the many small sectoral areas in the chemicals industry, some of which have changed significantly in recent years as a result of new companies moving into the field and others bowing out.

The world market for civilian explosives is worth about \$2bn a year. Two companies - Imperial Chemical Industries of Britain and Dyno Industries of Norway - dominate the industry and account for equal shares of about 25 per cent each. Other leading groups include ERI of Canada, Spain's ERT and Dynamit Nobel of West Germany, part of the Veba energy and chemicals concern.

Both ICI and Dyno view explosives as important strategically, even at a time when many rivals regard the sector with a distinct lack of enthusiasm, due to the fact that sales in many developed countries are barely increasing.

In the US and Western Europe, demand for civilian explosives is hardly growing. The US is the world's biggest market for these materials, accounting for sales of an estimated \$700m a year.

The poor prospects for explosives sales in many countries result from only small growth in the number of large-scale civil engineering projects in areas like mining and dam building which rely on blasting materials. This less than wonderful position for the industry has led to some companies, which previously had been big players in explosives, withdrawing from the field in recent years.

The best known group to have taken this route is Du Pont, the United States' biggest

chemicals business. Outside the developed nations, however, the explosives sector is expanding quite quickly. Mr Arid Ingier, chief operating officer of Dyno and the head of the company's explosives operations, says he regards the Pacific Rim countries as a promising growth area.

The most important technical ideas behind the modern civilian explosives industry evolved late last century. Since then, apart from some refinements of these techniques in the 1950s which led to slurry-based explosives that are easy to handle and inexpensive, not a great deal has changed.

In the US, Dyno is the biggest explosives company, in spite of the fact that it established its presence there relatively recently. Until 1984, virtually all explosives activities were centred in Norway.

In that year the Scandinavian company bought Ireco Chemicals, a leading US maker of blasting substances, and in 1985 acquired the explosives division of Hercules, another US chemicals group.

Since then, Dyno has built up its operations in this field in North America - it bought several US explosives distributors in 1988, and also expanded in other parts of the world such as Australia and South East Asia.

Dyno has recently reached an agreement with the Soviet Government to aid the expansion of the explosives industry in the USSR. As part of this it is to have a stake in the building of a new explosives production plant at Neryungri in Siberia.

While Dyno has been forging ahead in the US, until recently ICI had virtually no presence. Last December, however, ICI divested into the US explosives industry by an agreement to buy for \$150m Atlas Powder, a leading US explosives maker then owned by Tyler Corporation, an industrial products company.

Peter Marsh

Region	Demand (capita/year)	Ratio of demand to GDP per head	Growth in demand (annual %)	Likely growth in demand (annual %)
N America	970	0.05	3.9	3.4
Japan	1,500	0.07	4.3	4.5
E Europe	430	0.12	3.1	3.5
Central/S America	150	0.08	4.0	5.0
Far East	150	0.11	5.3	7.0
India/Pakistan	30	0.09	5.9	6.0
Africa	40	0.06	1.6	3.5
Middle East	100	0.05	0.7	2.5
Australasia	650	0.04	3.3	3.4

* not including Japan, China

Source: UK Chemical Industries Association



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CHEMICAL INDUSTRY 5

Hilfra Tandy looks at the mainstay of petrochemicals

Days of plenty for ethylene

IMAGINE life without water. Well, that's like imagining the petrochemical industry without ethylene. Without it, the rest is academic.

Derived from either crude oil or gas, ethylene drives the production of those most tangible products, like omnipresent plastics (polyethylene and polyvinyl chloride) and synthetic fibres (nylon and polyester).

For nearly eight years the world's chemical industry has benefited from a combination of sustained world economic growth and its own, early 1980s, regime of the burn-factor. Overcapacity - industrial middle aged sprawl - had set in during the 1970s; by the early years of the 1980s, it was evident that rationalisation was required if the industry were to survive.

Truly abysmal performances - even the so-called leaders, such as ICI, BASF, Dow and Du Pont were losing money hand over fist - forced tough decisions. In Europe, of the 64 ethylene crackers (plants) that had been in operation at the beginning of the 1980s, 24 had been shut down by 1989.

The slimming regime - which knocked out some 30 per cent of the world's total capacity - worked, and it has con-

tinued to work. The international ethylene industry hit its high towards the end of 1988 when petrochemical profitability peaked at the highest level ever recorded.

But what has happened since? The low-calorie regime

Dark memories of overcapacity kept investors away from ethylene

- getting more out of less - has become yesterday's thing. Starved of investment for years, the world's mainstay petrochemical industry started to fatten itself up. A proliferation of expansions, tuning-ups and straight binges (ie: new plants) was announced during 1988 and 1989.

True to form, the industry's investment plans only emerged at the top of a business cycle. The memories of the dark days of overcapacity had prevented established producers from even contemplating investment in their key feedstock - ethylene.

At one point - if all those announcements were to be taken at face value - it really did look as though the ethy-

lene industry across the globe was set to inflate its capacity from about 1988's 56 to some 75m tonnes by 1992. In just the US and Western Europe, new ethylene capacity announced amounted to just over 10m tonnes. Add to that plans to build in South East Asia and Japan (circa 6.5m tonnes), and the running total notched up to some 16.5m tonnes - 30 per cent of existing worldwide capacity.

Overindulgence? Maybe, if you believed it. The strategy was clear - for corporate survival, building capacity was the only Darwinian way.

Revival - survival. In Europe during 1988, at least 10 plants were announced, some indicating a clear change in the way industry was viewing its future.

Competitors were starting to join forces, sharing both the risks and the expected profit. The combination of Finland's Neste with Belgium's Petrofina - in their Finacoste joint venture - was the first of such moves, which at the time were regarded as controversial by the majority of the partners' competitors.

But no sooner had the dust settled on that announcement than a whole host of other plans emerged. Some seemed,

and were, for real, but others were attempts at pre-empting rivals, or moves to halt others joining the building spree. Virtually every one of Western Europe's top 10 ethylene producers announced intentions either to lift existing capacity

As euphoria gave way to realism, some strategic alliances began to emerge

or to build new plants.

As the building euphoria gave way to a more realistic appraisal of sustaining good levels of profitability, however, some strategic alliances began to emerge. West Germany's BASF had announced plans to go it alone and build an ethylene plant at Antwerp. But just

months ago it emerged that BASF had negotiated a product-sharing deal with Dow, obviating the need for Dow to proceed with its plan to build a new unit at Terneuzen in the Netherlands. Other producers have quietly revised plans - pushing back scheduled commissioning dates. As a recently published report* on the international ethylene industry noted: "Chances are that the

bulk of the balance of announced projects will slip quietly in to the 1994-1996 time-frame."

In the US and Canada Dow, Phillips, Quantum, Westlake Polymers and Taiwan's Formosa Plastics all announced plant that would be on stream by 1993 - 3.8m tonnes in total or 15% of 1989's effective capacity. In Japan, six producers or combinations of the same were jockeying for the green light for new plants.

If that alone were not enough, a few other players had joined the club since the late 1970s and early 1980s. North African (read Libya) and Middle Eastern (notably Saudi Arabia and potentially Iraq and Iran) producers had come into the picture, as had Taiwan, South Korea, Thailand and Indonesia. Many of these countries were strategically exploiting their own ace cards

namely abundant supplies of crude oil and gas, available at prices that should ensure a significant competitive edge against the established developed world's main players.

Industry Jeremiahs were predicting that projected capacity in the ethylene business would drag the business back into the red. This year was widely expected to herald

a significant downturn in the industry's fortunes - driven by weaker demand per se and a number of new plants gearing up for commissioning.

In the event, the profitability of the business - while diluted from the heady levels of just a couple of years back - is still pretty respectable, even comfortable. On either side of the Atlantic, a series of unscheduled plant shutdowns and operating hitches have combined to bolster ethylene markets and help support prices.

In Europe the biggest head-

ache occurred at Shell's French unit at Berre, which has been out of action since March and is not due back on-stream until next month. Planned and unplanned outages at numerous other plants throughout Europe have, none too surprisingly, led to the reverse of the predicted pricing pressures.

Similarly in the US, unplanned shutdowns at the second largest producers' plants - have arrested any dramatic erosion of prices levels. This strengthening has been aided by operational prob-

lems in at least five other plants run by Texaco, Exxon, Oxychem, Quantum and Shell. So, while the industry is not enjoying the great profits of 1988 and 1989, the sky has not fallen in on it. Fears that the industry will repeat the overbuilding follies of the late 1970s/early 1980s have receded - for the moment at least.

*World Cracker Report - a comprehensive review of the international olefins industry (1980-1992), published by World Petrochemical Analysis Ltd, February 1990.



The very image of a modern chemical plant, huge pipes gleam at a sulphuric acid plant in BASF's Ludwigshafen works in West Germany

Fish farming, seed breeding, aircraft paints, breweries ...

Diversified safety nets

but it took off and became a buzzword.

The switch in emphasis from high-volume, low-margin materials to more specialised, high-margin products meant more manufacturing, more marketing and more attention to customer requirements. Mr Wey cites the growth of engineering plastics as an example.

Laporte, another UK chemicals group, is another example of a company shedding bulk businesses and moving into speciality areas. Mr Wey describes it as almost a holding company now, comprising a number of subsidiaries in often unrelated parts of the chemicals industry.

The international chemicals business has been in better shape since the recession ended around 1987. However, companies are still looking to move into niche sections as the market becomes increasingly global. And the diversification bug is worldwide.

Sumitomo, the large Japanese chemicals company, last year moved into biotechnology - production of drugs using novel biochemical methods. A number of other big chemicals businesses, including Royal Dutch/Shell, Monsanto, ICI and West Germany's BASF have also stepped up their biotechnology investments in recent years.

Paints and coatings is another speciality sector - in mid-July, Courtauld, the UK chemicals group, announced the purchase of the aircraft paints businesses from the US's DeSoto, a chemicals, paints and detergents group,

for about \$50m. Part of the deal involved DSM, the Dutch chemicals company, acquiring DeSoto's optical fibres coatings arm. The agreement fitted with Courtauld's strategy to diversify into the speciality area of aerospace paints - it had a small business in this sector in France. It also bought a US adhesives company serving aerospace, defence and building industries, for \$280m, last year.

Courtauld decided, at the end of last year, to split off its textiles interests into a separate company. That completed the circle that began when the post-war Courtaulds, as a successful textiles giant, diversified into downstream paints, plastics and finished textile products.

Rhône-Poulenc, France's biggest chemicals maker, has in the past five years moved rapidly into a number of new areas outside basic chemicals. It says it is the world's third largest maker of food fermentation products. It also claims to be the world's largest manufacturer of surfactants - chemicals that reduce the surface tension of liquids and are used in cleaning applications. In 1989 Rhône-Poulenc spent \$480m on GAF-SSC, a subsidiary of US company GAF, and \$512m on RTZ Chemicals, the fine chemicals offshoot of industrial group RTZ.

Monsanto of the US, known in the 1980s as a bulk chemicals company, has shed 20 businesses and taken on 10 since 1985 in a move downstream. Acquisitions included Searle, the pharmaceuticals

company; NutraSweet; detergents; garden products; and thermoplastic rubber. Searle expects to be out of the red this year - its first profit since it came under Monsanto's control.

Diversification does not have to be by sector. The Rhône-Poulenc purchases will lift its turnover in the US - which has the world's largest national chemicals market - to 20 per cent of the group's sales.

ICI, the UK group which is the world's fourth largest chemical company, began a global move away from bulk to upmarket products in the early

1980s. The result was a halving of its UK workforce and the purchase of companies in the US worth \$3bn in specialised areas of chemicals such as crop-protection materials and polyurethanes. It also transformed its national organisations into worldwide business units. About 40 per cent of ICI's 150 executives are non-British.

This decade the company plans to increase US sales to 30 per cent of its total, and double to 15 per cent its sales in the Asia Pacific.

Mr Wey says one of ICI's strengths is its wide product range. He agrees that moving

into specialist areas for a small company could be dangerous if the company chose the wrong sector - for example, pesticides as people moved towards eating "organically grown" food. "It is important to have a balance throughout the range. Companies need to look with care at their product mix."

Companies typically spend about 7 per cent of turnover on R&D now, compared with 3 or 4 per cent in 1980. Drug compa-

One effect of specialisation is more R & D spending

nies average 10 per cent.

In the melee of companies intent on diversification, Mr Wey says there is awareness that too much specialisation turns speciality chemicals into commodity chemicals, and the process would start again. And

some companies stand against the tide. British Petroleum, for instance, has loudly proclaimed its intention to be the best or near-best in its four chosen areas - oil exploration and production, refining, chemicals and nutrition. Mr Robert Horton, chairman, said recently that he was "completely opposed to diversification beyond our core areas. I am emphatically not creating a conglomerate."

Sir John Harvey-Jones, business pundit and ex-chairman of ICI, has expressed fears about the demise of small speciality chemicals companies, with which Mr Wey is sympathetic. But he adds that "there will always be niches. Small companies move quicker, and there'll always be market opportunities. There'll always be opportunities for the entrepreneurial operator."

Elisabeth Tacey

FINANCIAL TIMES

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MANAGEMENT: The Growing Business

Step back and take an overall view

Charles Batchelor concludes his series by stressing the value of planning to make best use of inevitably limited resources

For Albert Barnfield, managing director of Restall Bros, a family-owned manufacturer of car seats, 1992 looked more like a threat than a promise. The Birmingham-based company, with sales of £1.5m and a workforce of 46 people, saw the creation of the single European market as a challenge to its position in the UK market.

It was with defence rather than attack in mind that Barnfield signed up for a course - Birmingham Project 1992 - designed to give Midlands companies the planning, marketing and language skills to cope with 1992. However, the realisation of the economic power and the market potential of continental Europe which became apparent during the course persuaded Barnfield to alter his approach radically.

"It is only when you get detailed information on markets in continental Europe that you realise how much more investment capital there is about than in the UK," he says. "You realise how much you have isolated yourself from the Continent."

Restall, which currently makes all of its sales to specialised car-builders in Britain, has now begun a determined campaign to break into continental Europe. It plans to show its wares at a large motor components fair in Frankfurt in the autumn and has begun a search for suitable agents in Belgium and the Netherlands. Surveys over the past two years of the response of smaller British businesses to the challenge of 1992 have tended to paint a gloomy picture. Many companies appear to be doing little to prepare themselves either to defend their home turf or to go out and seek business abroad.

For some of the volume of information on the subject of 1992 has had the reverse effect to the one intended. "A lot of companies have found it overwhelming," comments Gordon Greenley, a specialist in strategic planning and marketing at Birmingham University Business School. Nevertheless, with just 2½ years to go until the formal



Opening up in Europe

date for the creation of the single market - more and more businesses are working out their responses.

If they are to succeed, their strategies for 1992 must form part of a carefully thought-out plan, Greenley insists. "Many small business owners think planning is a waste of time. But once they start the process they discover how little they know about their industry and their markets and they realise how vulnerable they are."

J. Hudson & Company (Whistles), another Birmingham company, has been exporting since the 1930s when a manager with a yen to travel and a gift for languages signed up agents around the world. The 130-year-old manufacturer of whistles, bird calls and musical accessories now exports 90 per cent of its £1.5m turnover to 80 countries.

But this impressive export record was no reason for complacency. "We can see patterns of trade shifting in 1992," comments Simon Topman, sales director. "We have to strengthen our base in Europe to make sure there are no market where we are under-performing."

By stepping back from day-to-day operations as part of the Birmingham Project managers at Hudson realised they had not been putting enough effort into markets in southern Europe - where they were relatively weak.

In northern Europe it was sufficient to offer new products to its distributors for sales to follow. But in southern Europe customers were less familiar

with the Hudson name and distributors would be left with stocks. The company concluded that it had to market its products more actively.

So, with the agreement of its local agent or distributor, it has begun contacting associations of referees, dog-handlers and other users of its products.

Starting to export or increasing the scale of exports requires companies to master the technicalities of local legislation and customs, shipping arrangements and reliable methods of getting paid. Many of these details can be entrusted to employees or specialist outsiders such as freight forwarders but one of the most difficult barriers to overcome is language.

At Restall, Arthur Barnfield has begun learning German while his sales manager is tackling French. Deltacam, a Birmingham-based supplier of computer-aided design and manufacturing systems, has signed up 10 of its technical engineers for a German course as part of its sales push into Germany. At the same time the company, with sales of £5m and a workforce of 90, has hired a Portuguese-born sales engineer who also speaks Spanish and French to increase business in southern Europe.

Most small businesses lack the resources to tackle more than one or two markets at once. Restall Bros is concentrating initially on Belgium and the Netherlands because these are small, nearby markets which should not be too difficult for a company new to exporting.

Exporting can create new markets for a company's existing product range through some products may have to be modified for them to be acceptable. Replica Food, a London-based manufacturer of models of food items for use in shop displays and photographic and film work, has added continental items to its range to take account of local tastes.

It has also spent many months working with the French Association of Dieticians to produce a French version of a kit to allow dieticians



Lorraine Krell: Replica Food has adapted its range to take account of continental tastes

to demonstrate food quantities to their patients.

Lorraine Krell, managing director of Replica, says exporting was a natural extension of the company's UK business. With a German father and having spent part of her childhood in Switzerland, her background is more international than that of most British businesspeople. But even these advantages were of little help when Britain implemented a European Commission directive aimed at stopping the sale of imitation food items which, if swallowed, could prove dangerous to children.

Intensive lobbying with the help of some of Replica's large customers led to changes in the UK legislation (other European countries had implemented the directive in less damaging ways) but Replica's growth plans were set back two years. Officials had not realised the likely impact of the directive on such a specialised business sector, comments Krell. This episode points to the need for even the smallest business - Replica has sales of £500,000 - to monitor the effect of impending European legislation on its activities.

Even for companies which do most of their export business outside Europe the approach of 1992 is leading to changes. Quayle Dental Manu-

facturing, a Worthing, West Sussex-based manufacturer of a range of products from dental chairs to syringes, has concentrated on so-called "difficult" overseas markets such as the Middle East and Nigeria. Quayle Dental is nevertheless keen to increase its share of the European market. Products which have been launched on non-European markets have for some time been designed to incorporate additional features for the more demanding European market. Dental chairs, for example, may only need to be adjustable in four positions in developing markets but with the addition of some circuitry can be modified to provide the 12 or 16 positions demanded by European dentists.

But not everyone is thinking things through, warns Simon Dickinson of European Marketing, a Doncaster-based consultancy. One UK company had attempted to break into three different national markets - each consisting of four or five distinct segments - using a single agent in France and had been surprised at the slow progress it had made. However, a growing number of businesses is starting to develop a considered response to the challenge of 1992.

Previous articles in this series appeared on July 10, 17 and 24. Contact IC Ltd Tel. 021 359 0981.

More post-mortems needed

Charles Batchelor on research into business failures

What happens when a small business goes bust? With most employing only the owner or a handful of people failure takes on a very personal flavour. Yet very little is known about consequences of business failure.

To judge by the number of research studies which have been carried out we would rather learn about the creation and growth of businesses than their decline, says Allan Wicker, professor of psychology at The Claremont Graduate School, California. Researchers who study organisational decline and death are the corners of the entrepreneurship field, he notes in a recent study.

Starting out with a random list of 413 retail and service businesses which started operations in southern California in late 1984 or early 1985, Wicker finally tracked down the owners of 37 closed businesses.

Of these, 22 (59 per cent) firms had been transferred to another owner, while 15 (41 per cent) had been liquidated. The firms had remained in business for between five and 36 months - an average of 17 months.

Nine owners shut down because the business was not providing sufficient returns, while health reasons were cited in four cases, problems with a lease or landlord, suppliers, receiving buy-out offers,

being tired of the business (three each) and other opportunities (two).

Nearly half (17) said closing was personally difficult. Twelve owners (32 per cent) reported negative feelings - sadness, depression, disappointment or anger - while 10 (27 per cent) recorded positive feelings - relief, happiness.

Nine (24 per cent) said that the closing negatively affected their personal relationships.

Fewer than one in four owners (eight) recovered more than their original investment while nearly half suffered a loss. However, 22 owners (59 per cent) were better off financially as a result of closing their business, apparently because they were relieved of the financial drain.

In spite of these outcomes 31 per cent of owners (84 per cent) indicated that they would consider going into business again. The reasons for this, they said, were money and independence.

Defensiveness may account for part of this response, since it is difficult for people to admit that an activity taking so much time, effort and resources was not worthwhile, says Wicker.

However, some owners genuinely felt they had learned from their experiences and would be more successful the second time round.

Wicker's search for the own-

ers of closed businesses reads like a detective novel. From 413 businesses registered with the board which collects California's state tax, 196 had been removed from the files by October 1987, indicating that they had been transferred or liquidated.

Voters' lists and registers of business names were combed to establish addresses while the US Postal Service provided some new addresses.

This led to 51 of the 196 owners being contacted, though nine were still in business but had been misclassified by the tax office.

This left 43 - but six refused to participate either because the experience was too painful or because they were suspicious of the researchers' intentions. The remaining 37 took part in the survey.

More needs to be known about exits from entrepreneurship to understand better the personal consequences of risk-taking, Wicker suggests. "More information would also benefit policy makers and prospective entrepreneurs who are about to place themselves and their resources - as well as the resources of others - at risk."

"The Missing Persons of Entrepreneurship Research: Owners of Discontinued Businesses."

See also this page May 1 1990.

In brief

■ A one-day conference entitled Buying and Selling Private Companies will be held by the Institute of Directors on October 3 in London. Subjects to be covered include finding buyers and sellers, investigating and approaching target companies and how to value the business.

Contact: Conferences Department, 100, 116 Pall Mall, London SW1Y 6RD. Tel: 01-839 1233. £264.50 inc VAT for non-members.

■ Small firms interested in carrying out low-cost market research in West Germany may like to hear of a new student link arranged between Durham University Business School (DUBS) and the Technical High School for North-east Lower Saxony in Lüneburg. English-speaking German

business studies students spend time with the British firm to learn about its products and its market, while the German students visit potential customers, intermediaries and trade associations. (British students meanwhile spend time with German companies.)

The German student then presents a report written in English and will accompany the British owner-manager on a visit to meet potential clients. The British company pays only for travel and accommodation expenses.

DUBS plans further links with colleges in other countries on the mainland of Europe.

Contact: David Roe, DUBS. Tel: 0191-374 2293.

■ A £1m seed capital fund to help bring scientific research being carried out at Cam-

bridge University to the market place has been launched by 31, the venture capital group, and the university.

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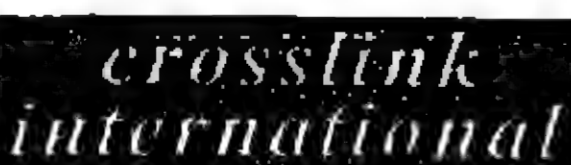
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MAJOR REAL ESTATE, SUITE HOTEL, RESORT COMPLEX, MIJAS, SPAIN. Additional £2m in equity and loan injections to progress progress 400 units, well located development of 250 luxury villas, 200 town houses, 125 suite hotel and extensive multi-sport facilities, including golf. Top market sports personalities will be involved in club activities and international promotion. Investments are subject to normal commercial sale.

Enquiries to Nick Sandy, Pamela Kerr Foster, Virginia House, The Bells, Worcester, WR1 5PA. Pamela Kerr Foster is authorized by the Institute of Chartered Accountants in England and Wales to carry on investment business.

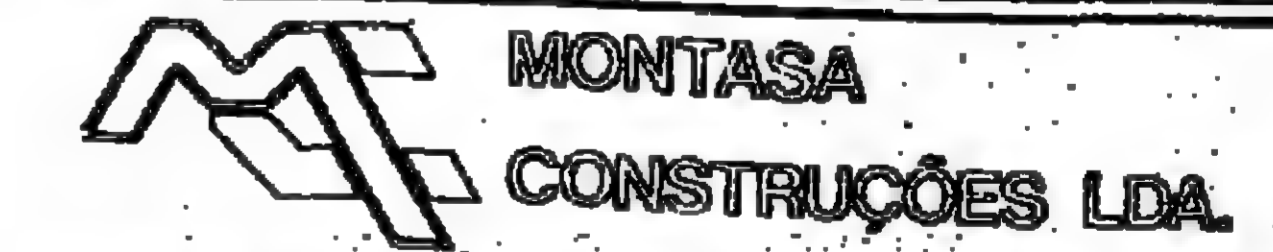
A quality monthly business publication with two sets of complimentary product cards for sale.

The title was established in 1986 and has excellent forward bookings. Please write Box H7048, Financial Times, One Southwark Bridge, London SE1 9HL

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We are a high-tech company in northern West Germany, near to Wolfsburg. More than 20 of highly skilled people are specialists in the field of hardware/software design, networking for industrial control purposes. Our product line for test and diagnosis of networked systems is well established worldwide. Our customers: Cars manufacturers and suppliers, industrial control. We offer partnership for a correspondingly competent company for faster expansion of our already well established and prosperous market position concerning our product line and consultancy services operation.

Dipl. Kfm. Gerhard Malon Dr. Norbert L. Heick Wirtschaftsprüfer, Steuerberater z.Hd. Herrn Gerckens Bohlweg 5 D-3300 Braunschweig Fax-No: 0531/17194.



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Property entrepreneur with exceptional track record, having successfully built up and sold a quoted property company, now seeks a substantial financial partner to take advantage of some exceptional high yielding investment opportunities available in the current depressed market. Replies in the first instance to: Box F9912, Financial Times, One Southwark Bridge, London SE1 9HL. This advertisement has been placed by Sharepoint Limited, which is authorised by FIMBA.

Aluminium and Magnesium Wheels

Parkfield Wheels — Cardiff

- Manufacturer of low pressure die cast aluminium car wheels
- Sales of £18m p.a. to principal automobile makers and European aftermarket
- Two freehold facilities covering 7.5 and 3.5 acres
- Equipment includes gas fired furnaces, CNC machines, powder coat and wet spray plant. D101 approved
- CAD and test facility
- European sales office
- 340 employees

M.A.P.S.A. — Pamplona, Spain

- Manufacturer of low pressure die cast aluminium car wheels
- Sales of £13m p.a. to principal automobile makers and European aftermarket
- One freehold facility covering 268,000 sq. ft.
- Equipment includes gas fired furnaces, CNC machines, powder coat and wet spray plant. D.I. approved
- 260 employees

Parkfield Wheels — Rochester, Kent

- Manufacturer of low pressure die cast aluminium car wheels
- Sales of £27m p.a. to principal automobile makers and European aftermarket
- One freehold facility covering 385,000 sq. ft.
- Equipment includes gas fired furnaces, CNC machines, powder coat and wet spray plant. D.I. approved
- CAD and test facility
- European sales and design office
- 430 employees

Dymag Racing — Chippenham, Wilts

- Machining of magnesium cast wheels for motor sport
- Sales of £1.3m p.a. to rallying participants
- One freehold facility of 8,000 sq. ft.
- Special performance copy lathes with crack detection equipment. Paint and lacquer finishing
- Prestige name
- 18 employees

Cork Gully

Steel Wheels Manufacture

Parkfield Steel Wheels — Kidderminster, Worcs

- Major manufacturer of fabricated steel wheels for earth moving equipment
- Manufacturer of pressed steel wheels for truck applications
- Sales of £18m p.a. to international markets for truck, bus and off-road wheels. Significant European and North American sales
- Freehold factory covering 220,000 sq. ft.
- Extensive pressing and machining equipment, and the only truck wheel line in the U.K.
- 370 employees

Cork Gully

Tooling and Machining

Precision Metal Products — Pontypridd, Glamorgan

- Manufacturer of low pressure die cast moulding tools and dies
- Sales of £1.7m p.a. largely to Parkfield Wheel plants and rubber moulders
- Long leasehold facility on a peppercorn rent
- Full range of profile forming and erodometric machinery. CAD/CAM facilities
- 39 employees

Standard Tools — Wednesbury, West Midlands

- Manufacturer of press forming tools for a wide range of components including crossmembers, pumps, truck and car doors and satellite dishes
- Sales of £3m p.a. to a wide variety of customers
- Leasehold factory covering 25,000 sq. ft.
- Equipment includes Kellers and Heyfingerstadt profile milling machines, and a range of other plant up to tryout presses of 400 tons
- 47 employees

Fishers — nr Blackpool, Lancs

- Manufacturer of high quality plastic injection moulding and rubber mould tools. Some small plastic components are also made
- Sales of £3m p.a. to aerospace and other high technology customers
- Freehold site of 60,000 sq. ft.
- Sophisticated erosion, forming, grinding and machining equipment. Extensive deep hole boring capacity. In-house tool testing on special performance machine
- 100 employees

Precision Components — Peterborough, Cambs

- Machining and finishing of iron and aluminium castings and production of a range of pipes, including fuel lines
- Sales of £28m p.a. mainly to the automotive market
- Leasehold premises covering 280,000 sq. ft.
- Equipment covers an extensive range of CNC machines including Swedturn turning and Sherman 5-Axis machining centres
- High quality statistical process control
- 400 employees

Cork Gully

PARKFIELD GROUP PLC

In Administration

The manufacturing businesses of the Parkfield Group are offered for sale individually, in related groups or as a whole

These businesses, which are currently under administration, are being funded and managed in order to preserve their integrity both within the Parkfield Group and for the benefit of future owners

Each business is individually viable and benefits from

- Substantial recent capital investment
- Strong local management
- Leading/strategic positions in national or international marketplaces
- Prestigious customer base/order book

Sales particulars for each business are available on request in writing from the company at the address below:—

Longdene House
Longdene Road
Haslemere
Surrey GU29 2PH

JOINT ADMINISTRATORS

Michael A Jordan
Adrian R Stanway
Malcolm J London

Cork Gully

Ferrous Castings

Parkfield Richards — Leicester

- Manufacturer of SG iron components with grey iron applications and cast iron bar for special customers
- Sales of £5m p.a. mainly to machine tool manufacturers
- 10 acre freehold site
- Facilities include Mouldmaster line for SG iron castings and small Hunter line for smaller casting applications
- 130 employees

William Lee — Sheffield, Yorks

- Manufacturer of SG iron components for all applications
- Sales of £14m p.a. to railway and automotive manufacturers
- 8 acre freehold site
- Facilities include three casting lines — Disamatic, Haldenworth and Jolt Squeeze — supported from a medium frequency furnace
- 420 employees

Parkfield Horwich — Bolton, Lancs

- Manufacturer of wide range of grey iron and cast iron products. Separate heavy leaf springs production facilities
- Sales of £18m p.a. to railway and automotive manufacturers
- 26 acre freehold site
- Facilities include sophisticated hot blast cupola and electric medium frequency melting. Two casting lines with totally integrated Kungel Wagner. Leaf spring shop with special purpose forming machines and two integrated light press lines
- 330 employees

Parkfield Foundry — Stockton, Cleveland

- Manufacturer of SG iron tunnel sections and other SG components
- Sales of £17m p.a. to automotive and transportation customers
- 7 acre freehold site
- Facilities include automated hotch casting line, with cupola melting facilities
- 285 employees

Parkfield Chesterfield — Chesterfield, Derbyshire

- Manufacturer of SG iron products for the automotive industry
- Sales of £12m p.a. including European customers
- 3.5 acre freehold site
- Facilities include new Disamatic casting line supported by electric melting and floor moulding to produce large tunnel segments
- 165 employees

Elkington Gatic — Dover, Kent

- Machining and distribution of grey iron and steel fabricated installation access covers
- Sales of £5m p.a. to a wide range of contractors, the Post Office and airport authorities
- 0.9 acre leasehold site with 20 years remaining
- 36 employees

Cork Gully

Pressings and Fabrications

Polarcold — Congleton, Cheshire

- Manufacturer of a complete range of pressed components including tanks, panels and door skins for trucks, satellite dishes and domestic appliance pressings
- Sales of £10m p.a. largely to automotive and domestic appliance manufacturers
- Freehold factory covering 200,000 sq. ft.
- Equipment includes a full range of presses from 60 to 1000 tons with 128" bed size. Complete process lines for tank welding and body-in-white installations. Spray and powder coat plants
- 220 employees

Homer Pressings — Walsall, West Midlands

- Manufacturer of small pressed assemblies and components
- Sales of £6m p.a. mainly to the automotive sector
- Freehold premises of 45,000 sq. ft. including extensive warehousing
- Equipment includes a range of presses from 60 to 600 tons, and welded assembly process units, both CO₂ and spot
- 140 employees

Cork Gully

Steel Chassis

Thompson Chassis — Wolverhampton, West Midlands

- Manufacturer of a complete range of chassis and chassis components
- Sales of £22m p.a. to the automotive sector with many prestigious contracts
- Freehold factory covering 275,000 sq. ft.
- Equipment includes an extensive range of presses from 60 to 4000 tons — the largest in Europe. Sophisticated controlled process production line for 4x4 chassis. Electrophoretic paint plant
- Extensive new chassis design support given to customers
- Significant new contract recently awarded
- 430 employees

Cork Gully

BUSINESSES FOR SALE

**Touche
Ross**

The Property and Construction Industry

For many years, Touche Ross has made a significant contribution to the property and construction industry, and we intend to develop our commitment even further.

Our specialist team includes project management expertise, corporate recovery specialists, tax, VAT, audit and accounting experts; all with extensive experience in the industry.

If you would like to discuss your requirements with our multi-disciplinary team, please contact:

Tony Houghton 071 405 8799 David Jenkins 071 936 3000
Nigel Atkinson 071 405 8799 Mike Oldham 071 405 8799

1511 House, 1 Little New Street, London EC4A 3TR. Tel: 071 936 3000. Fax: 071 936 8517.
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Expanding company available for outright sale, key features include:

- Turnover £4.9 million (1989/90).
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- Some 70 serial titles, extensive list of special issues and monographs, comprehensive secondary publishing service together with a major series of courseware materials.
- In-house distribution and production, including editing, artwork and typesetting.
- Committed management team.
- Editors eminent in a number of specialist academic subjects.
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For details please apply in writing to Hamish A. Dunlop, Director, Ernst & Young Corporate Finance, Barclays House, 6 East Parade, Leeds LS1 1HA.

Ernst & Young Corporate Finance

The Directors of the company accept responsibility for the contents of this advertisement, which has been approved by Ernst & Young, a firm authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

PARKFIELD COMMUNICATIONS

The Joint Administrators of Parkfield Group Plc

offer for sale the Parkfield Communications division, one of the UK's leading distributors in the leisure and business computer market as well as for telephones and office equipment to the independent retailer.

- The business comprises:
- Turnover approximately £20 million [pa]
 - Modern leasehold property, London NW10 approximately 19,750 square feet
 - Strong dealer base [1500 accounts]
 - Excellent potential for growth

For further details, contact the Joint Administrator, Malcolm London at: Cork Gully, Shetley House, 3 Noble Street, LONDON EC2V 7DD. Telephone: 071-608 7700 Fax: 071-608 9887 Telex: 884730

Cork Gully is authorised in the name of Cooper & Lybrand under the provisions of the Companies Act 1985 to act as an investment adviser.

Cork Gully

The Administrative Receiver offers for sale

Exico Systems Limited

In Receivership

Exhibition stand contracting business for sale

- Turnover £1 million per annum
- 12,000 sq metres of display equipment, including 4,000 sq metres of Corista system.
- 28,000 sq feet leasehold premises in Gwent

For further information, please contact: Keith Morgan, Cork Gully, Church Hill House, Church Hill Way, Cardiff CF1 4XQ. Tel: 0222 238823 Fax: 0222 345826

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Cork Gully

CHRISTIE & CO

By Direction of Moore Nursing Homes Tyspane Nursing Home BRAUNTON N. DEVON

Luxury purpose built (1986) Nursing Home. Registered 69-67 singles/1 twin, all ensuite. 2 lifts. Ideal for private hospital. Fees £275 per person. 100% occupancy. Impressive quality inventory. 4 star standard throughout. Impressive track record.

£3,350,000 freehold

EXETER OFFICE
0392 59371

Hardware

DIY Wholesalers & Distributors. Yorkshire based. T/O £280K + this year. 1991 projected T/O £300K. Price £25K for lease & goodwill plus approx. £55K for net worth of company. Lahey & Co (0394) 273371

METAL TOOLS LIMITED

METAL TOOLS (APD) LIMITED

The Joint Administrative Receivers offer the above businesses for sale which operate out of leasehold premises in Luton.

Metal Tools as a business has been trading since 1962 as specialist tooling manufacturers and metalwork engineers.

- Two leasehold factory and office units on the same Industrial Estate in Luton occupying approximately 10,000 and 8,000 square feet.
- Specialist Plant and Equipment together with trading current assets.
- Established, reputable Trading Name.
- Availability of Key Management.
- Audited Turnover in excess of £2m per annum.

Interested parties should contact the Joint Administrative Receivers at 100 Chalk Farm Road, London NW1 8EH. Reference L3067/EP.

Telephone: 071-267 4177. Telex: 071-267 1028. Telex: 27806 LevGee G.

LEVY GEE

WE SELL COMPANIES.

Whatever your business, we should like to hear from you. We are specialists in the sale of businesses, whether buying or selling. All types of business sought, regardless of industry, size or location. The strictest confidence is maintained.

NORTHERN BASED DESIGN/BUILD CONTRACTORS - Proj To £1.5m. Contracts London/House Counties. Estab 38 years. F/Hold gross price £1m +/- net assets (Ref 2234139).
N. HOME COUNTIES - PREC ENGS - 26 years estab. Res to medical sector. T/O £150K. Vast range of plant & equip. L/H £180K or F/H £300K (Ref 2234134).
E. SOMERSET - ENO CO - 13 years estab. T/O £200K. Major market in heavy plant to quarry. Long Lm. £400K inc stock/inv (Ref 2234135).
SMALL FAST FOOD CHAIN - Franchise. 15 outlets. Takeaway/delivery. To £1.5m. Price to include 2 lps F/Hold prop £1.5m (Ref 2234136).
S. DEVON - MAJOR CAR SALES - Superb showroom. Assembly sales. £1.5 million profit. F/Hold £200K or part F/Hold £300K. Stock adjustable (Ref 2234137).
N. SUMMERIDE - CARAVAN RENTAL - 40 sites. 14-40. Application for further 100. Nightclub/venue. 1/2 share. To £20K. Price £1.5m (Ref 2234138).
TRAINING CO - Correspondence courses. Releasable NP £160K. No special knowledge. Future income assured £70K (Ref 2234139).
EXSEC - HAULAGE CONTRACTOR/PLANT HIRE - Small fleet quality vehicles. F/H hold To £200K. Profitable price £200K plus on track (Ref 2234140).
E. MIDLANDS - PLASTERING/PLY - LINCOLN/LEICESTER. SCHEDULING/GRAND CONTRACTOR - TO £1.2m. Net profit £97.25k. P.H. offices £425K +/- current net assets (Ref 2234141).

Write to the General Manager, Everitt Mason & Furbey, Corporate & Business Sales, 10 Kensington Road, London W8 5AP. Tel: 0452 424569. Fax: 0452 428092. (LEVY GEE MANSON)

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A SUBSTANTIAL PLC WITH TURNOVER TO THE ORDER OF £2,000,000

COUNTY FINE ARTS PLC

SPECIALISING IN THE RETAIL ART MARKET WITH EXCELLENT CUSTOMER BASE INCLUDING MANY OF THE NATIONAL RETAILING CHAINS

The company based in South Yorkshire and operated from leasehold premises produces a range of pictures, photograph frames, and picture frames and has since its formation in 1986 developed a range of innovative marketing concepts

Offers are invited for the assets of the company comprising stock, plant and equipment, and goodwill

A detailed prospectus can be obtained from the Agents

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13 RESTAURANTS London & Manchester. T/O £4.6 million. Net profit £970,000. Price £6.5 million.

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2 modern hotels. 60 bedrooms and 65 bathrooms. Price for both freehold £17 million. (£5.8 million approx).

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800 acres. 18 holes. Raising 45 bedrooms. T/O £250,000. Freehold £1.5 million.

Contact Michael Pegg, Managing Director on England 0272 237575, evenings 0272 743431.

HOTEL BROKER

FOR SALE

THE ASSETS OF D.S. Colour International Limited (In Liquidation)

Photolithographic plate makers and producers with highly sophisticated pre-press equipment housed in 3,000 sq ft of freehold premises in London N.1

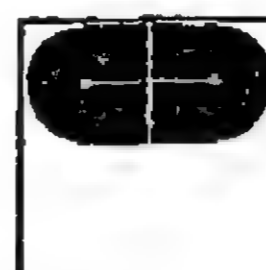
Contact: JEREMY KNIGHT & CO. Chartered Accountants 68 Ship Street Brighton BN1 1AE Telephone: Brighton (0273) 203654

REMOVALS AND STORAGE

• for Sale •

A removal and storage business based in South London with turnover currently at £500,000 and 28,000 square feet of warehousing with auxiliary offices. Central location. Current lease to 1994 without review. Long established family business with trade associations memberships. Goodwill and assets at a price in excess of £225,000.

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- * Excellently situated
- * Lock-up Shop & Yard
- * New 20 year lease available
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- * Turnover £280,000 p.a.

Business & Assets for Sale

Ref: 1/AGM

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39 Park Street, London W1Y 3HG Tel (071) 408 1868 Fax (071) 629 9179

FOR SALE

Small family engineering business established 40 years in North London. Involved in manufacture of components for Naval Shipping. Entire share capital available. Turnover 1989 £774,331 profit before tax £148,940. Projected Turnover 1990 £750,000. For further details, etc contact:

D Stoker & Co, Chartered Accountant, Suite 5, Phoenix House, 84-88 Church Road, London. SE19 2EZ. Telephone No: 081 653 3030.

IFINCORP LIMITED

(IN ADMINISTRATION)

The Administrator offers for sale The exclusive night club and restaurant premises, formerly trading as CHANTAL'S, in Clifford Street, Mayfair.

Main asset is:

- Leasehold property on ground and basement floors appx area of 5325 sq feet held on a 20 years lease from September 1984
- All fixtures and fittings

For further information please contact the Administrator

Mr S K Single FCA
SINGLA & COMPANY
49 Queen Victoria Street
London EC4N 4SA
Telephone 071-236 2184 Fax 071-236 4944

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FOR SALE

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We have been retained to sell a successful

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- Excellent growth and profit track record
- Substantial Nurse bank

For further information contact: Specialist Acquisition Managers 20 Pentonville Road, Islington, London N1 9XB or Fax 071 833 8272

FOR SALE

New commercial vehicle repair facility in Kent, workshop/repair bays/office/shop with extensive parking. Excellent opportunity to obtain an existing staffed business with good motorway access, close to main Chunnel route inland. Freehold building and business available at asset value circa £2.3m.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWS PAPER

FT LAW REPORTS

Sheikh's
department of
private affairs
cannot be sued

ASSOCIATED SHIPPING
SERVICES LTD v
DEPARTMENT OF PRIVATE
AFFAIRS OF HH SHEIKH
ZAYED BIN SULTAN
AL-NAHAYAN
Court of Appeal (Lord Justice
Neill, Lord Justice Ralph Gib-
son and Lord Justice McCo-
wan); July 25 1990

**EVIDENCE AS TO whether a
department handling the
affairs of a foreign head of
state is a separate legal entity
capable of being sued is
admissible if the witness,
though not qualified in the
law of that state, has acquired
the relevant expert knowledge
as legal adviser to the depart-
ment, through work which
required him to know whether
or not it was a separate legal
entity.**

The Court of Appeal so held
when dismissing an appeal by
the plaintiffs, Associated Ship-
ping Services Ltd, from a deci-
sion of Mr John Peppitt QC
sitting as a deputy High Court
judge. The judge dismissed
their appeal from Master
Topley's order striking out the
statement of claim and dis-
missing their action against
the defendants, the Depart-
ment of Private Affairs of HH
Sheikh Zayed Bin Sultan Al-
Nahayan ("DPA").

Lord Justice Ralph Gib-
son said that in an action
brought on July 6 1988, the
defendant named was "Depart-
ment of Private Affairs of HH
Sheikh Zayed Bin Sultan Al-
Nahayan" (DPA).

Sheikh Zayed had been Ruler
of Abu Dhabi since 1966, and
president of the United Arab
Emirates since 1971.

The statement of claim
alleged the DPA was a corpo-
rate entity created by Royal
Decree to manage the Sheikh's
personal affairs and interests,
including property and invest-
ments, and private, commer-
cial and other transactions.

The plaintiffs alleged that
from about September 1977
they were employed by the
DPA to run its UK affairs.
They claimed £1.9m remunera-
tion.

It was alleged that many ser-
vices were performed, includ-
ing the management of eight
companies and foundations,
negotiation for and purchase of
properties, management of
other properties, recruitment,
engagement and management
of staff, financial management,
and the accommodation and
reception of visitors to the UK.
The DPA had delivered no
defence.

On September 16 1988 Mr
BHA Baldo applied for leave to
intervene, to apply for an order
that the action be dismissed on
the ground that the DPA did
not exist as a juridical entity
capable of being sued. The pur-
pose of the intervention was,
in the Ruler's interest, to bring
the proceedings to an end. It
seemed that a claim in alterna-
tive proceedings against the
Ruler personally would be met
by a claim of immunity in
addition to questions of valid-
ity of service.

Mr Baldo's application was
made on the evidence in his
affidavit. He was a lawyer
employed as legal adviser to
Mr G F Al-Mazrui, chairman of
the DPA. He averred it was
within his own knowledge that
no such juridical entity as the
DPA existed.

The plaintiffs submitted evi-
dence by the affidavits of Mr
Ehsan Khan, a director of the
plaintiffs, and of Mr D R Man-
field, an English solicitor
licensed to practice within the
UAE.

On May 5 1989 Master Topley
struck out the statement of
claim and dismissed the action
on the ground that the DPA
did not exist as a legal entity
capable of being sued. Mr John
Peppitt QC sitting as a deputy
High Court judge dismissed the
plaintiffs' appeal from his deci-
sion. The plaintiffs now
appealed.

The onus lay on the plain-
tiffs to prove that the DPA
existed as a separate legal
entity. The question was to be
decided by reference to Abu
Dhabi law as a question of fact.
As a general rule, any propo-
sition of foreign law must be
proved by an expert suitably
qualified "on account of his
knowledge or experience" to
give evidence of the propo-
sition (Civil Evidence Act 1972,
section 4).

Mr Baldo was qualified to
practise law in the Sudan and
was a member of the UK bar.
He claimed no knowledge or
experience of Abu Dhabi law
based on study or qualifica-
tion.

His statements denying the
existence of the DPA as a sepa-
rate entity under Abu Dhabi
law were based on three
grounds: (1) his own know-
ledge; (2) confirmation to him
by Mr Al-Mazrui that DPA had
no existence as a separate
juridical entity; and (3) the

contents of a letter from the
UAE Minister of Justice, certi-
fying that no Emir decree had
been issued establishing the
DPA, or had been published in
the official gazette.

Mr Manfield's evidence
described the DPA's actions
and dealings in the UK, which
in his contention, were consist-
ent only with its having a sepa-
rate legal entity.

Mr Manfield's evidence was
that in all matters, save those
ceded to the Federation, the
Ruler's word was law. The only
method of incorporation of an
artificial legal person in Abu
Dhabi was by the Ruler's writ-
ten or oral Decree. More
recently Royal Decrees had
been published in the gazette,
but that had not been invari-
able past practice. A search of
the official gazette revealed no
Royal Decree creating the
DPA. The absence of publica-
tion did not mean a decree had
not been made.

Mr Manfield then stated the
substance of his expert opin-
ion. He said it was "more prob-
able than not that the DPA
was established by Royal
Decree... as a separate
juridical person...".

The judge said the evidence
showed the DPA was not a sepa-
rate legal entity. He regarded
Mr Baldo as a qualified expert
giving his opinion on the
DPA's status, and the Minister
in his certificate as giving evi-
dence of a primary fact,
namely, that no Emir decree
in respect of the DPA had been
issued.

On appeal Mr Littman said
that on the evidence the DPA
was shown to be a separate
legal entity under Abu Dhabi
law. He said Mr Manfield's
opinion should be accepted and
there was no admissible evi-
dence to the contrary. Mr
Baldo did not qualify as an
expert lawyer or as a layman
qualified by experience to give
evidence as to a particular
proposition of foreign law.

The question whether the
DPA was created as a separate
legal entity under Abu Dhabi
law turned on the whether the
Ruler did or did not express his
will to that effect, orally or in
writing.

In *Ajami [1994] 1 WLR
1465*, the Privy Council
took the view that a person
who, though not a lawyer, had
become conversant with a
point of foreign law by "carry-
ing on a business which made
it his interest to take cogni-
sance" of that point, was a com-
petent witness.

On the basis of *Ajami*, Mr
Baldo was a competent expert
on the point whether the DPA
was a separate legal entity.

The main reason for that
conclusion was that on the evi-
dence, the DPA in handling the
Ruler's private affairs, man-
aged large funds and property
interests in different parts of
the world. Mr Baldo was legal
adviser to the chairman. He
was a lawyer trained in two
systems of law. If he was a
lawyer of ordinary competence
and intelligence he would have
perceived that he needed to
know whether the DPA was a
separate legal entity. Since he
would, if competent, have per-
ceived the need to know the
status and powers in law of the
body or person of whose chair-
man he was legal adviser, he
would if competent, have dis-
covered what they were.

On the evidence Mr Baldo
was at least a lawyer of ordi-
nary competence and intelli-
gence. He might be of great
distinction and ability. There
was no reason to doubt his
honesty. No attack was made
on his good faith. He claimed
to know that no such juridical
entity as the DPA existed.

The nature of the question in
the context of Abu Dhabi law,
was of such stark simplicity
that, given his good faith, his
claim to have discovered and
to know the answer should be
accepted.

Mr Baldo's evidence was
rightly held by the judge to be
admissible as the evidence of
an expert qualified by experi-
ence.

Even if the only admissible
evidence had been Mr Man-
field's affidavit, the court
would not have been compelled
to accept it. The matters stated
by Mr Manfield did not support
his conclusion according to
any stated or implied process
of reasoning. Mr Baldo's evi-
dence was preferable.

The appeal was dismissed.
Their Lordships agreed.

For the plaintiffs: Mark Litt-
man QC and Daniel Gerrans
(Barristers at Law).

For Mr Baldo as intervenor:
David Johnson QC and Richard
Hacker (Solicitors & Barristers).

Rachel Davies
Barrister

TECHNOLOGY

Catalysts filter out pollution

THE ENVIRONMENT is a tremendous opportunity for us," says Orin Smith, president of Engelhard, the US metals trading and engineering company. The environment offers possibilities for new catalysts that serve applications concerned with reducing pollution.

Engelhard is among the biggest companies in the world's \$3bn a year catalyst industry. Catalysts are materials that speed up or change chemical reactions and are left unaltered by the process.

Engelhard, with Johnson Matthey of the UK, is already a leading company in catalysts which remove poisonous gases such as carbon monoxide and nitrogen dioxide from car exhausts. It is also a leader in catalysts for use in the petroleum and chemical industries.

Engelhard is now trying to develop new ideas for catalysts in environment-related areas. One concern is lowering emissions of various oxides of nitrogen from turbine generators which burn natural gas. Such oxides are formed as by-products of most kinds of combustion processes and can cause smog and health difficulties.

Scientists at Engelhard have found a way of adding a specific catalyst that lowers the temperature at which the natural gas burns in air, ensuring combustion takes place in such a way that oxides of nitrogen do not form. This, Smith says, is a better solution than installing expensive scrubber systems to remove the nitrogen oxides afterwards.

Engelhard is working with General Electric on putting the turbine catalyst system into a form that can be sold. This should happen over the next few years, according to Smith. In another environment-related area, Engelhard is developing a zeolite-based catalyst which could be used to remove lead and other harmful metals from water. Zeolites are natural materials containing tiny pores which act in a similar way to sieves, removing unwanted materials.

The product could be used in a variety of applications such as ensuring the safety of water supplies for drinking or cleaning up industrial effluent.

Peter Marsh

The production of washbasins and toilets is undergoing the most fundamental technological change since Thomas Crapper invented the flushing cistern in the 19th century. The traditional process of manufacturing ceramic "sanitaryware" takes up a lot of time, space and energy. Each item is cast in a plaster of Paris mould. The plaster draws water slowly out of the clay until it is set firmly enough to be "fired" in a kiln. Then the mould has to be dried before it can be used again. Each mould can be filled only once or twice a day and, as a result, a large sanitaryware factory has to set aside acres of working space to accommodate moulds while the clay is setting and the plaster drying.

A new technique, called pressure casting, greatly accelerates the process. The output from each mould is increased from one or two to 75 items or more per day. Heating and space requirements are therefore far less than in a conventional factory. And the process lends itself to automatic production far better than traditional casting.

Although the effects of pressure casting are not as obvious to the end-user as Crapper's invention was, the technique promises to cut the costs of bathroom fittings and increase the range available to the consumer.

The world's sanitaryware manufacturers turn out about 150m ceramic pieces a year, worth \$4bn at trade prices. UK output is 7m pieces a year, according to industry estimates. (These are mainly washbasins and toilets - baths are normally made of metal or plastic.)

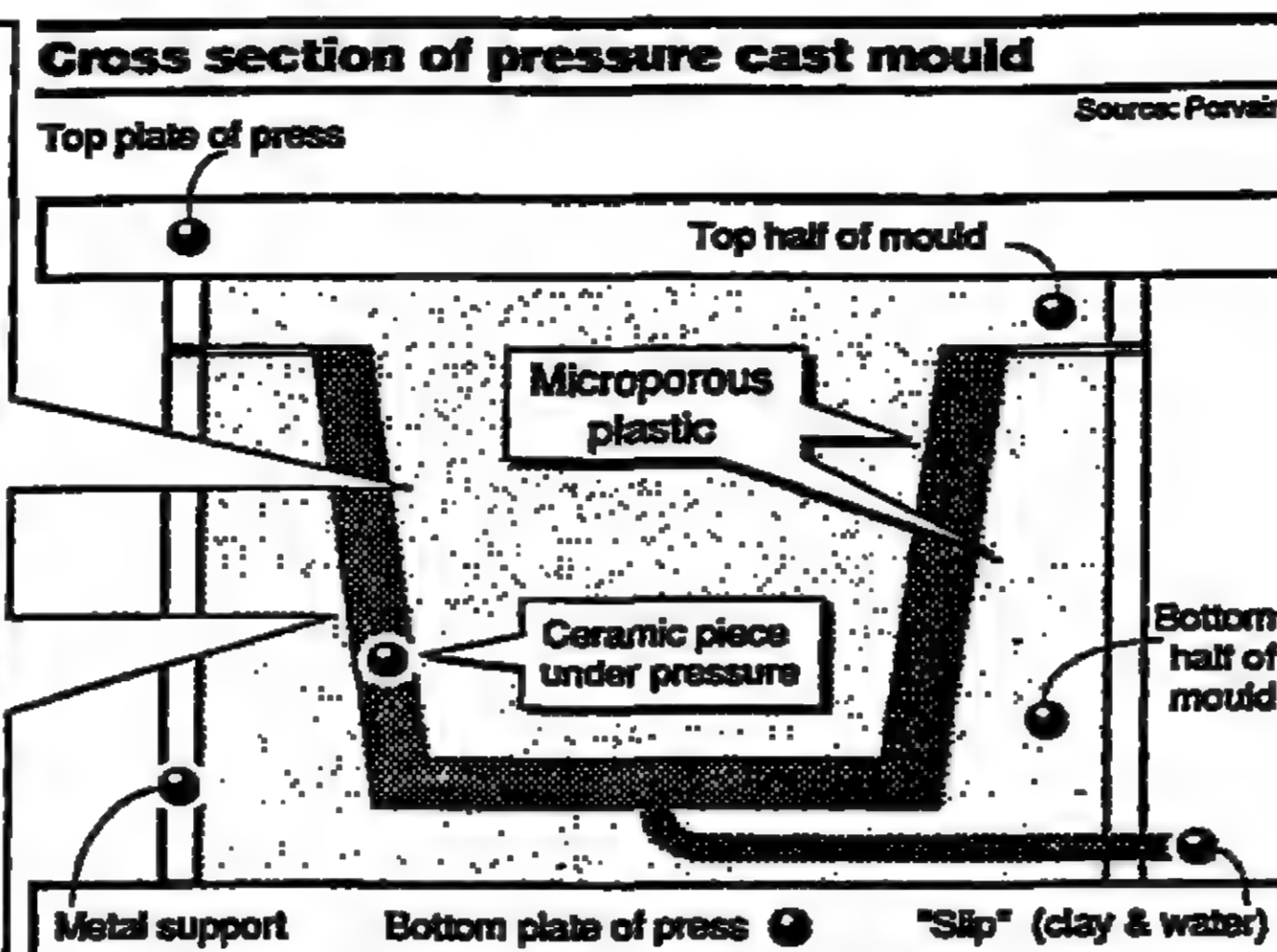
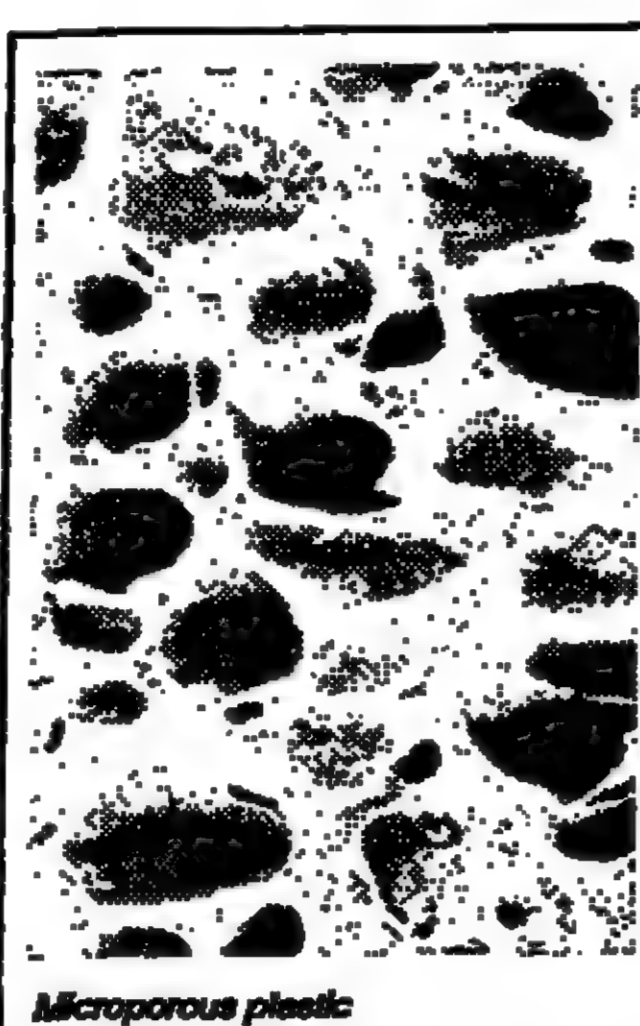
Porvair, a UK company developing a pressure casting system, says the technique is suitable for more than half the world's sanitaryware production. It could also be used to manufacture 10 per cent of ceramic tableware (the total world output of tableware is estimated at 2.5bn pieces per year).

Pressure casting is suitable for asymmetric pieces of tableware, such as teapots, jugs and roasting dishes, but simple mass-produced items - plates, cups and saucers - are produced more efficiently by pressing than by casting.

The process of pressure casting is similar to injection moulding. Slip, the traditional potter's mixture of clay and water with a consistency similar to double cream, is squirted into the mould at somewhere

Clive Cookson examines improved techniques for manufacturing ceramic toilets and washbasins

Casting that will break the mould



between five and 40 times atmospheric pressure. This forces water out of the slip through tiny pores in the mould, which is made from a "microporous" plastic material.

A large ceramic basin "sets" within 15 minutes under pressure; it would take hours in a conventional plaster mould. A small piece of tableware sets in two minutes. The quality of the cast may be higher too, because the pressure helps to consolidate the particles of clay.

Then the pressure is released and the set clay is removed from the mould, ready to be fired and finished. The mould can be closed and the cycle repeated. Immediately. Although plaster moulds need to be dried out with hot air before they are used again, this is not necessary for microporous plastic.

Plaster moulds are cheap and short-lived; typically they have to be replaced after they have turned out 100 ceramic pieces, because the surface starts to deteriorate. Plastic

pressure moulds are designed to turn out at least 10,000 ceramic items but they are expensive; £15,000 each is typical today though the price is likely to fall as the technology becomes better established.

The ceramic industry has been aware of the theoretical advantages of pressure casting since the beginning of the century and a German patent for the process was issued as early as 1922. But suitable porous materials for the pressure mould - with a strong, uniform and hard-wearing surface - have only recently become available at a low enough price for industry to afford.

British Ceramic Research Limited started experiments with pressure casting in 1964 and had produced an automatic machine for casting lavatory basins by 1970. But the moulds were too expensive and short-lived for commercial exploitation, and the research programme was put into abeyance until the late 1980s. Ceram Research is again working actively on pressure cast-

ing at its Stoke-on-Trent laboratories and Harry Bentley, sanitaryware section manager, expects to have a system ready for production trials before the end of this year.

Porvair, a porous plastics manufacturer based in King's Lynn, began developing its own pressure casting system three years ago. This works well on a pilot scale and is about to go into production trials. John Morgan, Porvair chairman, hopes it will be launched commercially next year.

But two German ceramic equipment companies, Dorst of Koechel am See and Netzsch of Selb, started to commercialise pressure casting in the mid 1980s. The Dorst process has been adopted internationally by American-Standard, the big US-based sanitaryware group, and is being installed in several of the group's Ideal-Standard factories in Europe.

An example is the Ideal-Standard plant in Hull, where six Dorst presses turn out a total of 330,000 ceramic basins, ped-

estals and cisterns per year. The presses are the central feature of a computer-controlled flexible manufacturing unit installed at a total cost of \$3m.

The main benefit of the new technology is the greater flexibility it gives Ideal-Standard to match production to customers' orders, says Norman Bennett, joint managing director. The plastic moulds can be changed in the pressure casting system within an hour, if the factory needs to switch to a different model of toilet or washbasin. With the conventional process it could take several days to change over, as new stocks of short-lived plaster moulds had to be produced first.

MB Group, the largest UK manufacturer of sanitaryware, has presses from both Dorst and Netzsch at its Twyford subsidiary and three from Netzsch at Stotfold.

But most ceramics factories still work with conventional plaster moulds. Less than 5 per cent of the world's sanitaryware production comes from pressure casting, and in tableware the figure is probably closer to one per cent.

Trevor Hindell, Porvair's industrial sales manager, believes that moulds for pressure casting could grow into a world market worth between \$30m and \$150m a year. The pattern will probably be for large manufacturers to make their own moulds from material bought from suppliers such as Porvair, while smaller companies buy ready-made moulds.

The main constraint on the growth of pressure casting will be the cost of installing the moulds and their associated equipment. "It requires a major investment, because pressure casting does not lend itself to existing production systems," says Harry Bentley of British Ceramic Research. "You do not get much advantage from buying two or three machines and installing them alongside existing machinery. You need a completely different rapid production system based on pressure casting." The Ideal-Standard factory is an example of that.

Steve Lunt, UK sales manager for Netzsch, agrees. "Pressure casting lends itself best to planning a new unit or a new factory. Space utilisation is much better in a new shop." A pressure casting system and associated equipment takes only half the space of a conventional system and heating and energy requirements are much less.

Tropical diseases feel the heat

The UN is taking a new approach to co-ordinating worldwide research into tropical diseases. Many pharmaceutical companies have offered support to a new industrial-style product development unit established by the United Nations to revitalise research into a group of tropical diseases affecting some 500m people.

The unit, staffed by scientists, technologists and managers with strong industrial experience, has been set up to turn selected medical research products into deliverable disease control tools. It is part of the UN's Special Programme of Research and Training on Tropical Diseases (TDR), which is financed by the World Bank, the UN Development Programme and the World Health Organisation.

Tropical diseases are not solely the result of poverty. The process of industrialisation can provoke outbreaks. In Brazil the attempt to develop the Amazon is creating new breeding sites for malaria-carrying mosquitoes.

Business travellers and tourists often import tropical diseases. Britain reported 1,700 cases of malaria in 1988 and Switzerland 300 in 1988.

More than 5,000 researchers worldwide are co-operating in the development of new drugs, vaccines, diagnostic tests and disease control techniques. Some medical tools under development include:

- Malaria (270m cases and 2.1bn people at risk in 103 countries): new drugs such as mefloquine and halofantrine, improved derivatives of a 2,000-year-old Chinese remedy based on wormwood (*Artemisia annua*) and vaccines.

- Lymphatic filariasis, the cause of elephantiasis (90m cases and 900m at risk in 76 countries): the drug ivermectin and monoclonal antibody and DNA probes for detecting the parasites in mosquitoes.

- Onchocerciasis or river blindness (17m cases and 90m at risk in 34 countries): ivermectin, strains of bacteria for vector control, DNA probes for the detection of parasites and the establishment of their origin.

- Leprosy (10-12m cases and 1.6bn at risk in 121 countries): several drugs and vaccines.
- African sleeping sickness

(25,000 cases and 50m at risk in 36 countries): simple traps to kill carrier insects, the drug efornithine, diagnostic kits for the detection of the disease before dangerous symptoms develop.

Governments are pressing researchers to find answers which will save lives and money, but industry has been pulling back from tropical disease research because the patients - most of whom live in the poorest countries - cannot afford the cost of developing expensive new remedies.

The unit will help TDR to focus its limited resources on a few strategic products. It will speed the progress of research results from the frontier to the field through practical clinical and field testing to safety registration. And it will forge links - and enhance many existing links - between TDR and industry.

Barry Bloom, chairman of TDR's independent scientific and technical advisory committee, says: "I have been amazed at how industry is coming forward. I have not seen such interest in working with WHO in my 27 years of involvement with the organisation."

TDR now hopes to sponsor the preclinical toxicology testing of some promising new pharmaceuticals and to organise donor support for the development of derivative molecules (which might have greater efficacy and fewer side-effects) and eventual field trials. Tore Godal, director of TDR, observes that "the companies involved would benefit from the association with a humanitarian product and the sick from a cure or new preventative measures."

The change should enable the programme to make use of the best of industry and avoid the worst, adds Peter Reeve, a former vice president of the American biotechnology enterprise Invitron Corporation. He has advised TDR on the establishment of the unit.

Private industry is unwilling to manage or fund the whole process of developing medical tools against tropical diseases, he explains. "But co-operation with TDR can ensure that their research results will not be wasted."

Thomas Land

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LEGAL NOTICES

IN THE UNITED STATES DISTRICT COURT
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IN RE
SEA CONTAINERS LTD.
CLASS ACTION SECURITIES
LITIGATION

Consolidated
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No. 89-0930 (JGP)

SUMMARY NOTICE OF PENDENCY OF CLASS ACTION, CLASS DETERMINATION, SETTLEMENT, SETTLEMENT HEARING ON OCTOBER 19, 1990 AT 9:30 a.m. AND RIGHT TO APPEAR

TO: ALL SHAREHOLDERS OF RECORD AND BENEFICIAL OWNERS OF COMMON AND/OR PREFERRED SHARES OF SEA CONTAINERS LTD. FROM MAY 8, 1988 THROUGH APRIL 10, 1990.

A hearing has been scheduled before this Court on October 19, 1990, to consider approval of a proposed settlement and related matters in the above-captioned action brought on behalf of two Settlement Classes, defined as follows:

Settlement Class A: All shareholders of record and beneficial owners of common and/or preferred shares of Sea Containers Ltd. from May 8, 1988 through April 10, 1990, and their successors in interest or transferees, immediate or remote, except to the extent such common shares were purchased during the period June 19, 1989 through October 31, 1989 and such shares were sold at a loss prior to March 15, 1990;

Settlement Class B: All purchasers of common shares of Sea Containers Ltd. during the period June 19, 1989 through October 31, 1989, who thereby became shareholders of record or beneficial owners of such common shares and who, to the extent that they, subsequently sold such shares at a loss prior to March 15, 1990. If you believe you are in this Settlement Class B, please note: Proofs of Claim must be completed and submitted by November 12, 1990.

If you are a member of either of the Settlement Classes and did not receive the Notice of Pendency of Class Action, Class Determination, Settlement, Settlement Hearing and Right to Appear (the "Notice"), and the Proof of Claim (for Settlement Class B members), please request copies by writing to:

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The Notice and Proof of Claim contain important information about the litigation, including the steps members of Settlement Class B must now take to share in a settlement fund if the settlement is approved. Proofs of Claim must be filed by November 12, 1990. You may be heard personally or through an attorney at the October 19, 1990 hearing if, by October 9, 1990, you file with the Court and serve on counsel for the parties papers requesting to do so and setting forth your views. Counsel for the parties may be served at the following addresses: Steven J. Toll, Esq., Cohen Milstein Hausfeld & Toll, 1401 New York Avenue, N.W., Suite 600, Washington, D.C. 20005. Counsel for All Plaintiffs, and John J. McAvoy, Esq., White & Case, 1747 Pennsylvania Avenue, N.W., Suite 500, Washington, D.C. 20006. If you would be a member of Settlement Class B, but you do not wish to participate in the settlement or the class action, you must, by September 17, 1990, submit your request to be excluded to the following address: Steven G. Schulman, Esq., Milberg Weiss Bershad Specter & Lersch, One Pennsylvania Plaza, New York, N.Y. 10119. Such a request must state, "I hereby request to be excluded from Settlement Class B in *In re Sea Containers Ltd. Class Action Securities Litigation*." Please do not contact the Court for information.

Dated: July 6, 1990

By Order of the Court
JOHN GARRETT PENN
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Tuesday July 31 1990

In spite of the bombs

THE British Government has adjourned its attempt to set up new talks on the political future of Northern Ireland until the end of the summer holidays. As the killing of Mr Ian Gow, the Conservative MP for Eastbourne, so clearly illustrated yesterday, the IRA is taking no such break.

The murder of Mr Gow is only the latest in a series of IRA attacks both on the British mainland and in continental Europe in the last few weeks that has been unprecedented even by IRA standards. It is no consolation to any of the victims to say that the attacks were predicted by the British authorities, but predicted - in general terms - they were. Ever since the IRA came into possession of large quantities of the lethal and easily portable explosive, semtex, it was assumed that the terrorists would be able to strike more frequently than before and across a wider range of targets. It was also known that the IRA had posted a number of so-called "sleepers" across northern Europe. "Sleepers" are people who may go quietly about their normal business for years, until summoned by the IRA to pull a trigger. It is the combination of sleepers and semtex that now seems to be in action.

Terrorists alone

Something else, however, is not in action. Despite the mounting violence, there has been no call either in Britain or in the Republic of Ireland for a change in the political approach to the IRA. The terrorist organisation is out there on its own, effective only in bomb-slinging. Demands for a British military withdrawal from Ulster or for talks with the IRA's political wing, Sinn Féin, have been notable for their absence. Politically, the IRA is getting nowhere. Indeed it must be hard for the generation born after 1968 to say what the IRA is about except bomb-throwing and violence for its own sake.

Meanwhile, there has begun to be some slow progress in the attempt to get the legitimate political parties in Northern Ireland to talk to each other.

The process is a complex one. The Ulster Unionists rejected the Anglo-Irish Agreement of 1985 on the grounds that it gave Dublin a say in the affairs of the north. The Unionists now maintain that they are prepared for talks with the Catholic minority in Northern Ireland provided that there is no fixed time-table for bringing such talks into the wider context of negotiations between London and Dublin.

Pause called

Mr Peter Brooke, the Northern Ireland Secretary, is being flexible. That is why he told the House of Commons in a written answer just before the Parliamentary recess last week that all the parties involved should use the summer holidays as a pause for reflection. We should know in September if the talks are on in earnest.

If they are, they could be a great bonus for the Unionists and the British and Irish Governments alike. Nor need the talks run contrary to the Anglo-Irish Agreement. Article 4 of the Agreement specifically allows for the devolution of powers to Northern Ireland, provided that the process is mutually acceptable to the parties in the province. The Article adds: "The Irish Government support that policy."

So Mr Brooke has made some progress in getting the parties almost to the table. The Irish Government could now make its own further contribution. It would involve putting to a referendum Articles 2 and 3 of the Republic's constitution. They state respectively that the "national territory consists of the whole island of Ireland" and that the Irish Parliament has jurisdiction over the whole of Ireland. Manifestly they bear no relationship to the real situation. The Government should offer to repeal them by popular vote.

To do so would not blunt the IRA in the short term. Nothing but increased security and vigilance will do that. But it would be a sign that, unlike the gunmen, the Irish Government and the Irish people are prepared to turn their backs on old illusions.

Strains in the new Germany

DESPITE the fear it provoked in the financial markets, the monetary side of German unification has been achieved with characteristic German efficiency and prudence. But as attention shifts to the real economy of employment and production, West Germans should think carefully about extending all their other economic values and institutions. Serious problems are arising already over the legal and financial aspects of unification, especially the ownership of property. But even more important in the long run will be the restructuring of the labour markets on both sides of the old East-West divide.

The Bundesbank expressed anxiety last week about the huge pay increases - in many cases adding up to more than 30 per cent - being awarded to East German workers. The utility and transport workers' unions have been particularly successful. The Bundesbank was right to note that wage increases unmatched by productivity improvements would simply accelerate the collapse of inefficient companies in the East. But in an economy with free movement of labour, how long would wage differentials of the order of 50 per cent persist?

Though monetary unification has stopped the flood of migrant workers to the West, a steady outflow of East Germans with marketable skills will continue, while even larger numbers will commute across the old border. In a homogeneous and geographically small country like Germany, very large regional differences in real wages are bound to be eroded, at least in the absence of artificial restrictions on the movement of people. At present the wage differential between the richest and poorest regions of West Germany is less than 20 per cent. It is hard to see why the wage gap between East and West Berlin should long remain wider than between Bremerhaven and Stuttgart.

Wage cuts

In a true free market system, the narrowing of the East-West wage differential would partly be achieved by cuts in West German wages, as eastern labour undercut the West's high-cost industrial structure. Thus, it is no coincidence that the high wage deals of which the Bundesbank has been complaining were mostly negoti-

ated over the East Germans' heads by representatives of the West's trade unions and employers' federations.

West Germany has been remarkably successful in combining economic development with social stability. But it has been less successful, especially since the mid 1970s, in coping with economic shocks and creating new jobs. The question now is how well Germany's traditional preference for stability will serve it in the challenging period ahead.

New employment

Unlike Hungary and Czechoslovakia, where international borders will doom workers to remain poorly paid for years, East Germany may not have the option of maintaining stability by preserving inefficient jobs at low wages. And even if these jobs could be preserved, it would be preferable for policy to concentrate on new employment. The obvious way to do this would be to throw the labour market open to competitive forces and to deregulate protected service industries. But this is not the only solution. Japan has shown that a consensus-based economy with centralised labour markets can sometimes be very adaptable to economic shocks.

Consider how a united Germany might act today if it were under Japanese-style economic management. The annual wage round would give the prosperous western workers very low pay increases, leading to small reductions in real wages. Such anti-inflationary wage behaviour would let the central bank shift macroeconomic policy in an aggressively expansionary direction instead of tightening money, as the Bundesbank almost certainly intends. The western unions' temporary self-denial would thus accelerate growth and produce a boom in investment, ensuring the rapid absorption of their less fortunate cousins from the East. With the constraint of labour shortages miraculously lifted, a truly flexible economy - either the free market type or the Japanese corporatist version - would now be seeking Japanese-style growth rates of 5 or 6 per cent, instead of the 3 or 4 per cent regarded as optimal in Germany. And the convergence between regions would be a matter of years, not decades.

If Hong Kong had a democratically-elected government, it would by now be in terrible trouble, if not on the brink of collapse. As it is, the colony's unelected administration is coming under severe pressure as it grapples with the growing complexities of the final years before sovereignty is handed back to China in 1997.

In the year that has elapsed since China's Tiananmen Square crisis, the colony's problems have taken an increasing toll on morale in its 5.8 million-strong civil service. In spite of China's pledges that Hong Kong will have a high degree of autonomy after 1997, officials realise they will in fact be working for Peking.

The result is an intensifying brain drain, and the effects are being felt in the administration as well as in the private sector.

● The Government expects a total of 55,000 people to leave the colony this year. Last year 559 civil servants said they were resigning to go abroad and another 670 to go to the private sector. This was double the level in 1987 and 1988.

● Manning problems in Hong Kong's tight labour market are causing increased strains on staff, especially the most competent.

● Trade union militancy is increasing because worries about 1997 are making civil servants push for immediate financial gains in the absence of long-term job security.

● Police recruitment has dropped 50 per cent below target, and perhaps as a result, armed crime is on the increase.

The problems go beyond staff shortages, reflecting a more deep-seated malaise. Far-reaching commercial corruption has been uncovered in the colony's legal department. Matters are being made worse by internal corruption in Hong Kong's affairs from China, which has, for example, queried plans for a new HK\$127bn (\$8.9bn) airport and other infrastructure projects.

It would be exaggerating to talk of a crisis within the administration; indeed, it is possible to argue that Hong Kong's administration is still showing a remarkable resilience given the multiple difficulties with which it is faced.

"Take any emergency in Hong Kong and the civil service has coped. Like the community, it's geared to crisis," says Mr Leo Goodstadt, a former journalist who heads a government think tank formed two years ago to strengthen policy-making and analysis. "It copes whether it is fighting US plans to end China's most favoured nation trading status, which would hit the economy, or peacefully handling 1m people who suddenly erupted on the streets in June last year, or absorbing thousands of Vietnamese boatpeople, or preparing for a typhoon which could leave the place devastated. It is crisis management all the time, but with permanent structures put in place for the future."

Administration of overseas territories always becomes more difficult as the end of colonial rule approaches. Inevitably the authority of the colonial government diminishes, and new forces emerge to battle for future power. Hong Kong's problems are all the greater because it is not headed for self-rule but being

John Elliott on the pressures on administrators in Hong Kong Crisis as a way of life



Hong Kong skyline with, left, Sir David Ford, Chief Secretary, and right, the Governor, Sir David Wilson

handed back to the communist power from which most of the families making up its 5.8m population have fled.

Relationships will soon become even more complex because China is stepping up its demands to be involved during the second stage of the pre-1997 transition period which begins next year. From that point, Hong Kong government decisions have to start converging with China's wishes.

Further complicating matters, party politics are just beginning to develop in preparation for the colony's first direct elections to a legislative council in September next year. The elections will give unprecedented influence to individual candidates, vested interest groups and political parties.

For decades, the colony has been proud of having a streamlined Government which has concentrated on basic, practical administration and left the task of fostering prosperity to the private sector. At that level it is often excellent, as it showed last week with its peaceful and tactful handling of some 20,000 people who unexpectedly queued in the streets for British naturalisation.

This traditional colonial-style government has, however, found itself ill-equipped to deal with more complex issues, especially ones with international or commercial ramifications.

Even local problems have sometimes wrong-footed the old-style administration of late: witness its uncertain handling of the 1987 crash on world

stock markets, when Hong Kong's markets were shut for four days and it emerged that widespread commercial corruption had been tolerated in the past; or the Government's dithering for more than three years over its telecommunications policy; or the poor personnel management which is delaying its plans to create a new hospital authority at the start of a drive to hive off parts of the Government.

In such situations, the Government gives the impression of having rushed into policy decisions, with insufficient preparation, debate and analysis. Part of the problem is a lack of democracy and political leadership. The system has been based on what might be called consultative conservatism, where consensus is reached by top civil servants, led by the governor and chief secretary, respectively Sir David Wilson and Sir David Ford, along with a secretive executive council. Advisers jealously shield most policy development from public view.

The Government has not been subject to any significant checks and balances apart from the rather distant scrutiny of Whitehall and Westminster. Civil servants brought up in the old consensus system are only now learning how to handle popular pressures. Their jobs will be further complicated after next year's elections because there is no elected ministerial system, so none of the legislative council members will have a direct executive role. This means that they will be free to criticise the administrators, unfettered by the traditional responsibilities

of members of a party in power or in opposition.

In the absence of ministers to present a public face, the burden falls on the 50 or more senior officials who are having to sell their policies publicly in a way which would send shudders through the British civil service. In the process, attention has been focussed on patchy performance among some of the 20 or so top policy secretaries and 80 departmental heads.

But perhaps the most serious issue for the civil service arises from China's political clamp-down last year, which has forced officials to decide whether they really believe they will be free to work in the same way as they do at present after 1997. The main fear appears to be that Chinese rule will bring increasing corruption into the Hong Kong administration.

"That is the decision I must face," says one civil servant. "It's not so much a fear of Communism or risk of bureaucratic interference, but of the corruption, nepotism and bribery in the system."

Peking has compounded these dilemmas by threatening to repeal against Britain's new nationality legislation. The package, which received Royal Assent last week, offers the right of abode in the UK to 50,000 key people and their families as an inducement not to emigrate.

China resents this scheme, especially its application to the public sector. "China can't legally be expected to tolerate a post-1997 government here full of people who have foreign passports and rights of abode, and who can therefore fly out of the airport when things get tough," says one civil servant.

There is a fear that after 1997 China will block the promotion of civil servants who have taken the passport - which is likely to hasten the current brain drain. If too many emigrate by 1997, China could bring its own people in from Peking to fill the vacancies.

The Hong Kong Government is in any case pursuing a policy of what is called "localisation", under which ethnic Chinese are gradually replacing expatriate civil servants in all the top jobs, and many of those below, by 1997. The policy has led to premature retirement at age 57 of experienced and competent expatriates and it has put a block on the promotion prospects of expatriate high fliers under 40. In some cases, young ethnic Chinese - many of whom have considerable potential but lack sufficient guidance from above - have been promoted too rapidly.

On the other hand, there is intense opposition to the importation from London of administrators on secondment. Arguably, there should be more such secondments to raise standards and plug gaps in the system, but this is only happening for professional jobs in areas such as medicine, the law and engineering.

As with much else in Hong Kong, the ability of this administration to cope with Britain's

future years depends on China. If, as has recently begun to seem possible, it adopts a more co-operative stance, the strains will be lessened. But there will still be an urgent need for an injection of experienced talent to ease the burden on the best of Hong Kong's administrators, but their effectiveness hinges

BOOK REVIEW

Avoiding 1992's culture trap

As companies all over Europe charge into each other's backyards, they are discovering something many had long suspected: that the economic barriers which the 1992 programme sets out to attack are only the most visible obstacles to doing business across borders. At least as important are partly submerged national differences rooted in language, custom and culture. These can trap the hapless foreigner in embarrassing misunderstandings and, at worst, destroy any basis for co-operation.

This book, by a banker turned author and consultant, is a perceptive and entertaining guide through the corporate minefield. Based on extensive first-hand research, it manages to be both a primer for the uninitiated and a thoughtful analysis of wider European management issues of value even to seasoned international business travellers.

As its title suggests, part of the book is devoted to basic etiquette. When visiting a German company, do not remove your jacket or park in the wrong place - and expect to be scolded if you do. In France, avoid levity in the office. In Britain, by all means be flippant, but never at the expense of the locals' more outlandish traditions, particularly royalty. In the Netherlands, always be blunt and direct.

This sort of thing could easily degenerate into parody. But most of the information is genuinely useful. One chapter is a teach-in on how to chair a meeting of executives from all over Europe. Others advise on codes of punctuality, women's role in business and how to behave on social occasions.

The book pitifully summarises national psychologies without ever lapsing into tired stereotypes. Take, for instance, attitudes towards official regulations. In France, they are plentiful but often ignored. In Italy, it is a matter of honour to break them, even when going by the book would be simpler. But in Germany, opportunism "is seen less as a talent than as a failure to organise" and "in the unlikely event that a loophole is discovered, it is customary not to exploit it but to seek a ruling from authority."

Mole is particularly astute at stripping away ritual and myth to reveal where power really resides in European companies, and how it is wielded. Only in Britain and the Netherlands, he observes, is the main purpose of management meetings to take important decisions. Elsewhere, they are commonly used to canvass support, issue orders or communicate decisions already made behind closed doors.

Likewise, do not expect an Italian executive's job title to tell you what he actually does. He may owe his position less to formal qualifications than to an ability to work well with the managing director. French bosses may seem autocratic, but their effectiveness hinges

MIND YOUR MANNERS:
Culture clash in the European single market.
By John Mole
Industrial Society Press, £14.95

on their technical competence and powers of reasoning. In Mediterranean countries, where personal relations count for much even in large companies, apparent favouritism or corruption are actually the exercise of mutual obligations.

Visitors to Britain are advised to be suspicious of macho bosses who bluster about "managers' right to manage." That facade, the book says, often masks inefficiency, obsession with status and more confusion about the real source of authority than anywhere else in Europe.

The book's first rule of doing business in another country is, sensibly, to learn the language. The second is not to jump to conclusions. If you feel offended or angry, it is probably not because malice was intended but because you have failed to understand the internal logic which governs local business behaviour. Every country regards its way of doing things as "normal", and others as alien or irrational.

But why do the norms vary so much? Mole thinks they are based on fundamentally different concepts about how companies should be run. He divides attitudes to corporate organisation into the organic - emphasising intuition and opportunism - and the systematic, with clear rules and procedures. There are also two models of leadership, the individual and the group-based.

Companies throughout Europe combine these characteristics in differing degrees. Try to merge or ally two psychologically incompatible organisations, and disaster will follow. Helpfully, Mole provides a checklist of points to watch out for and a "map" of management cultures in the European Community.

If the book has a weakness, it is that some of the information it may date quite quickly. The author warns that generational change and increased international exposure are rapidly altering traditional patterns of business and social behaviour. None the less, it will be many years, if ever, before Europe converges on a single norm, and even longer before treating each other as compatriots becomes second nature to most Europeans.

As Mole puts it: "Whether or not they exist in reality, stereotypes certainly exist in the perception of outsiders. And it is in perceptions of behaviour that misunderstandings occur." That moral is as valid for politicians as for businessmen: if Margaret Thatcher is looking for holiday reading, she could learn a lot from this book.

Guy de Jonquieres

Garcia learns hard way

THE metamorphosis from Peru's first citizen to ordinary citizen has begun with a rude bump for Alan Garcia. The Peruvian Congress over the week-end ignored protocol and turned a sedate hand-over by the outgoing president into something resembling the House of Commons during a debate on the poll tax.

There were catcalls and shouts of "thief" and "Jail him!" while the venerable normally self-important deputies rapped their desk lids like rebellious schoolboys. Garcia was visibly shaken, his pallor contrasting with the crimson carpets and matching blotters on the offending desk lids.

Three times he was prevented from commencing his address before order was restored. Earlier opposition congressmen held up Garcia's entry for an embarrassing and unprecedented half hour on a point of protocol. The diplomatic skills of visiting guest presidents Barco of Colombia, Aylwin of Chile, Paz Zamora of Bolivia, Perez of Venezuela and Menem of Argentina were put to the test as they attempted to make relaxed small talk.

The events gave piquancy to Garcia's uncharacteristically brief speech. He had learned a lot in five years, he admitted. "It is one thing to hope, to dream - to govern is another." Nevertheless, he is still keen to try for the presidency in five years time.

Brain power

BRITISH academics, howling about how universities are being forced to fend for themselves by a tight-fisted government, can learn a lesson from a remarkable experiment conducted by Liverpool University.

Five years ago the university decided to build its own gas-fired power station at a cost

of \$2m. Internal critics pointed to the risks involved and questioned whether this was the right use for some of the university's reserves. Now Professor Graham Davies, the vice-chancellor, says the results have taken the wind from the sails of all the remaining critics. The 5.3 megawatt generator has paid back the original investment in four years instead of the forecast seven, and has even been earning extra by selling surplus power to the national grid during off-peak hours.

Coopers & Lybrand Deloitte, the university's auditors, have also been able to use the power station to protect the university from the recently-imposed decision that institutions of higher learning should lose their zero rating for VAT. Coopers discovered VAT could not be imposed on pre-existing contracts, so the university negotiated a five-year one with its power station the day before the new ruling came in. Savings of up to \$300,000 are likely and a consultancy company has been created to help others set up their own power plants. The first order has come from Birmingham University.

Bonn baiting

A word of consolation for the rest of Europe warily watching the two German governments prepare for unity: feelings between the Bonn and East Berlin governments are becoming far from brotherly. Chancellor Helmut Kohl's aides talk of his growing irritation with the intransigence of the East German government. Rainer Eppelmann, the Bonn Foreign Ministry Minister, wants to prune East Germany's overblown ambassadorial ranks.

East Germany has some 4,000 diplomatic personnel compared to Bonn's 7,000, most of them being former Communist party members unsuitable once the two systems merge. Genscher is nevertheless determined to do his bit for togetherness. The Bonn Foreign Ministry starts an advertisement campaign in East German newspapers this week for diplomatic talent among ideological-

OBSERVER



The sweetener always floats to the top

after unification; while Meckel is accused of doing a behind-the-scenes deal trying to sign up financial records with the Soviet Union which would bring considerable post-unity burdens for the Bonn government.

Meckel's recent nomination of a new ambassador to Paris - a 29-year-old pastor, whose accreditation to the Elysee was one of the shortest-ever - has raised eyebrows in the Bonn Foreign Ministry. Muddled together the two countries' diplomatic services, Hans-Dietrich Genscher, the Foreign Minister, wants to prune East Germany's overblown ambassadorial ranks.

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ly-uncontaminated youth east of the Elbe.

Baker's fever

MONGOLIAN officials yesterday made anxious enquiries about the indisposition of James Baker, the US Secretary of State. Baker spent the day bed-ridden in Singapore with a fever and this risked upsetting an elaborate schedule when he arrives in Ulan Bator on Thursday.

A keen hunter, Baker hopes to try his luck around the southern Gobi Desert. This expedition, rather than the historic nature of visiting Mongolia in the wake of elections after 89 years under tight communist rule, is now exercising the Washington press. They claim he wants to bag an Argali wild sheep; but aides say Baker would never kill an endangered species. After his Singapore fever, Baker himself is more likely to be worrying about the Mongolian vodka, whisky and afraiki (fermented mare's milk) his hosts promise to ply him.

An earful

Women are more likely to laugh if a joke is told into the left ear; men, however, react better in the right ear. This theory was advanced yesterday by Dr Joanne Galivan, a Canadian university lecturer during the eighth international conference on humour in Sheffield yesterday.

Research, she said, suggested a basic biological, neurological difference in men and women. Women react more to emotion and intuition, controlled by the right side of the brain which is fed by the left ear. Men respond more to logic and practical things controlled by the left side of the brain, which is reached through the right ear. But in her paper, "Approaches to studying gender and humour", she admitted her findings were not definitive. The response was "ear, ear."

THERE'S NO LET UP TO OUR LETTINGS

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Transport Policy

Taxes good, subsidies bad

Low fares increase fuel consumption, argues David Sawers

Reactions to the Government's refusal to consider subsidies for the Channel Tunnel showed how strong is the British belief in the virtues of public transport — so long as its vehicles have wheels. Wings, in this context, are not angels, and a railway that competes with airlines deserves its subsidy.

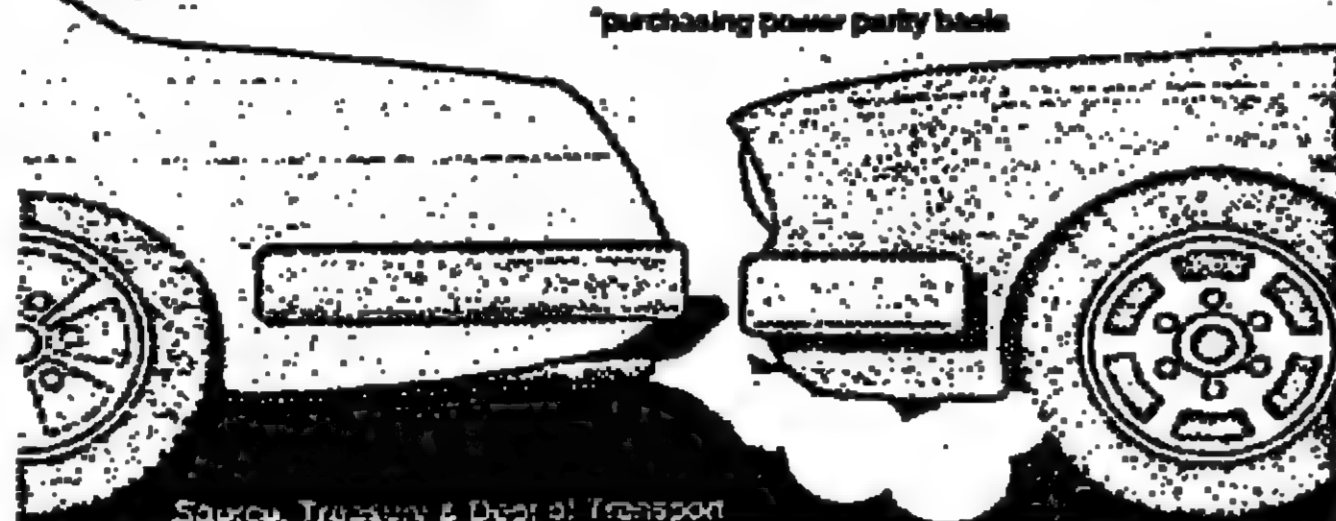
The strength of this belief in subsidising public transport seems partly a reaction to the present Government's efforts to reduce subsidies. Such a policy is bound to be opposed by the travellers and employees of the subsidised services, who create a vocal and well-organised lobby in support of the belief that subsidies to public transport are always good. However, it was not long ago that the experience of the 1970s created disillusion about the benefits of subsidies, because increasing subsidies had been associated with rising costs and had had little effect on the growth of car traffic.

The evidence from the work of transport economists also suggests that subsidies are not a very effective method of increasing the frequency of public transport. Subsidies to urban public transport increased rapidly during the 1970s in most industrialised countries. In Britain, for example, they rose from 9 per cent to 29 per cent of costs between 1970 and 1975. In many countries, this increase in subsidies went with falling productivity and rising costs — because load factors fell — and in some, part of the subsidy appeared to go into employing extra staff or increasing their pay.

Study of urban transport in 15 industrialised countries by the British Transport and Road Research Laboratory concluded that an increase of 10 per cent in subsidy was associated with a reduction of 1.5 to 3 per cent in productivity and an increase of 4 to 6 per cent in costs. A subsidy increase of 10 per cent seemed to produce a fall of 5 per cent in fares, which led to a rise of 2 to 3 per cent in traffic in the long term.

Most of any increase in traffic will usually represent additional travelling by existing users of public transport, not a transfer from cars. Public transport is not a close substitute for car travel, because it

Influences on car use, 1987			
Country	Km per car per inhabitant	GDP per head (UK=100)	Price of petrol (US cents/litre)
W Germany	5,843	109	58
France	5,244	104	78
Britain	4,657	100	58
Italy	4,031	98	98



Source: Transport & Road Research Laboratory

does not call at homes and point-to-point journeys are therefore faster — and more comfortable — by car.

In terms of money plus the value of time and convenience, the car usually gives cheaper travel than public transport. If public transport were free, car travel would be better value in most circumstances. However, increasing the frequency of public services reduces the average journey time, and so reduces the cost in terms of time plus cash outlays — the "generalised cost" of travel.

Estimates of the effect of subsidies on car traffic are even more uncertain than those for the effect of subsidies on public transport.

Studies suggest that a 10 per cent reduction in generalised cost may produce a reduction of from nothing to 3 per cent in car ownership, thus a 10 per cent subsidy would have about half this effect.

The most effective British experiment in subsidised public transport was in South Yorkshire, where the local authority pegged fares at the 1975 level until 1985. Real fares fell about 50 per cent by 1980, while the frequency of services had increased by about 10 per cent. Subsidy by then covered more than 60 per cent of costs.

A study by the Oxford University Transport Studies Unit found that bus travel rose 3 per cent, compared with a fall of 23 per cent in other areas. Car ownership in the area by 1981 was about 5 per cent lower than a comparison with the

adjoining county of West Yorkshire suggested it might have been, with the reduction wholly in the number of two-car households.

The additional travel was mostly in leisure and shopping journeys by young people, some of whom seem to have been encouraged to postpone the purchase of cars by the cheapness and quality of the public transport. The extra travel was thus mostly in optional trips, and the reduced car ownership was of cars which would have been little used. Commuting by car did not seem to have been reduced, but car owners did use buses more often and may therefore have used their cars less. There are no estimates of the total effect on car travel, although the effect on car ownership was near the top of the range of estimates.

Raising petrol prices has a much larger effect on the use of cars than do fares cuts, and the long-term effect again seems larger than the short-term one because it takes time for car owners to switch to more economical vehicles. A 10 per cent increase in the price of fuel may reduce consumption by 1 to 2 per cent in the short term, but by up to 5 per cent in the long term.

International comparisons also suggest that subsidies to public transport have less effect on the use of cars than do petrol prices and personal incomes. France, West Germany and Italy all pay higher subsidies to public transport

than Britain but, as the table shows, car travel is much higher in France and Germany than in Britain. Only in Italy, where petrol prices are about 70 per cent higher than in Britain, is car traffic less than in Britain, although car ownership is 26 per cent higher. In Paris, where public transport is much more heavily subsidised than in London, vehicle traffic entering the city has been growing twice as fast as on national roads, while in London it has been growing at less than half the national rate.

Any socially-desirable effects that subsidies may produce are obtained at the expense of the taxpayers who finance the subsidy. A subsidy represents a transfer of purchasing power from taxpayers to the travellers on the subsidised mode. Taxpayers' welfare is reduced while that of the user of public transport is increased.

This transfer would only be justifiable if there were also benefits to the community as a whole which offset the loss to the taxpayer. But reducing the cost and improving the quality of public transport encourages more of the optional and lower-value journeys, increasing the consumption of fuel, while having little effect on the consumption of fuel by cars. If the social objective is to reduce energy consumption, subsidies do not produce enough social benefits to offset the loss to taxpayers.

A rational transport policy would use taxation and charges to influence behaviour. If it is socially desirable to reduce emissions of carbon, the price of fuels should be increased. Such an increase need not be inflationary, because other indirect taxes can be reduced proportionately. If fuel costs more, the evidence shows that people will travel less, and choose more fuel-efficient methods of travel, whether they are smaller cars, buses or trains. Any increase in the demand for public transport will make additional investment in transport profitable and its quality will be improved. Subsidies for public transport represent selective reductions in the price of fuel at the expense of the taxpayer. Does that make a sensible policy?

The author is an economic consultant.

FOREIGN AFFAIRS

Bolshevism at the mercy of the republics

Edward Mortimer says Gorbachev seems impotent in the face of the Russian challenge

Mikhail Poltoranin is, if not the right hand man of Boris Yeltsin, certainly his confidant and a faithful articulator of his views.

Last time I saw him, in September 1987, Mr Poltoranin was editor of Moskovskaya Pravda, the organ of the Moscow branch of the Communist Party, then headed by Mr Yeltsin. Over his desk was a photograph of Lenin reading the proofs of the paper, and Mr Poltoranin sported a party badge on his lapel. Yet even then I remember him brushing aside a question about the approaching 70th anniversary of the October revolution — "we spend too much time on all these anniversaries" — in order to carry on fulminating about the problems faced by Moscow citizens in the here and now: the lack of food in the shops, the housing crisis, the obstructive attitude of the bureaucracy.

Soon after that meeting Mr Yeltsin lost his job and Mr Poltoranin fell with him. But in the turbulence of the last three years Mr Yeltsin's coat-tails have proved good ones to be attached to.

Last week I visited Mr Poltoranin again, and found him in an even more spacious office in a charming late 18th century palace built for two of Catherine the Great's illegitimate sons. Mr Poltoranin is now information minister in the government of the Russian Federation, and a new badge on his lapel proclaims him a

ric, but the characters in the drama have changed. The hero, or victim, is now Russia, and the villain — believe it or not — is "bolshevism".

"What unites us," he declares, "is the restoration of Russian morality, of the Russian spirit. The Russian character has been disappearing under the repeated blows of bolshevism. Russians have lived like pigs."

Russia, it transpires, has all these years been the most exploited and downtrodden of all the 15 Soviet republics (even though the other 14 were duped into thinking it was Russia that was doing the exploiting and downtrodding).

Russia is now setting out to save itself, and — Mr Poltoranin thinks — it also has one last chance to save the Union, by freely negotiating a new treaty with the other republics.

The alternative, he claims, if the centre persists in trying to impose its authority, is "a civil war, which in our situation would be a nuclear one."

In the current power struggle between the Russian Government and the Union the latter has, on the face of it, most of the trump cards: the KGB and the armed forces, in particular, are all-Union institutions whose chain of command leads to the central Government. But, says Mr Poltoranin, "the people are on our side. Gorbachev understands that, and that's why he's nervous."

The Russian minister depicts the Soviet President as a man embarking on a confrontation he is bound to lose. "It's like a man standing in a boat holding a rope. If he throws the rope now we can catch it and bring him to shore, but if he hesitates he will be swept away downstream."

Mr Poltoranin described himself as being "in the process" of leaving the Communist Party, following the example of Mr Yeltsin. He was not, he added,

thinking of joining or forming any other party, since the minister of information should "be objective and reflect the interests of all the people" (Russians still have much to learn about what a multi-party democracy actually is and how it works).

He enthusiastically agreed that "the restoration of Russian morality" involves also the revival of the Russian church, but stopped short of proclaiming himself an Orthodox Christian, instead muttering something about Kant, "believe in a higher being", and the value of different religious traditions. "Without belief," he said, "you are just an animal. Belief makes you a personality" — and by that he emphatically did not mean "the belief in a communist future which was imposed on us for decades."

"Bolshevism," declared Mr Poltoranin, "has stabbed out the cigarette ends of its ideology in our soul." Then what, I could not resist asking, was the significance of the hammer and sickle on his People's Deputy badge? "The sickle," he replied with a final flourish, "is to cut away the remnants of the old ideology. And the hammer is to bang the last nails into its coffin."

He seriously should one take all this? Some of the more sophisticated Muscovites do find it hard to take from people who not so long ago were claiming that they themselves were the best bolsheviks, deriving their inspiration from Lenin. Others, though, are willing to give them the benefit of the doubt.

The Party had so thoroughly monopolised public life for so long that one can hardly blame the many talented people who joined it as the only route to a career or who, like Gavril Popov, now mayor of Moscow, initially "believed in the principles and ideals of the society"

in which they lived. It took Mr Popov, by his own account, a whole series of successive "upsurges of hope, followed by periods of gloomy analysis," before he concluded that the root of the trouble lay "in the very foundations of this social system."

The theme of Russia as victim is certainly very popular. It can of course easily slide into chauvinism or racism, and his enemies are not above hinting that Mr Poltoranin is close to Pamyat, the more or less overtly antisemitic Russian nationalist group.

The allegation is denied not only by Mr Poltoranin himself (who is careful always to use the word "rossiski", which means belonging or pertaining to Russia, as opposed to "russki" which refers specifically to Russian people and excludes other nationalities such as Jews) but also, with great vehemence, by Mr Lev Razgon, a Jewish writer who spent 17 years in Stalin's barbed wire camps.

Mr Razgon shares the view that "Russia lives worse than the other republics" and has been "more plundered" than them by the imperial state. He regards Mr Yeltsin's coming to power as a very hopeful development, "maybe one of the most important in the last five years."

All this makes the current debate in the West about "aid to Gorbachev" seem curiously irrelevant. In fact Mr Gorbachev himself, seen from Moscow, appears an increasingly irrelevant figure, vainly issuing decrees, whether on aspects of the economy, on public order, or on the relationship between the Union and the republics, which he is in no position to implement.

The service he still renders is to neutralise the party apparatus and to hold the KGB and the armed forces in check, while the process of disintegration continues. But if anything can be done to repair the damage, by introducing genuine market economics and by negotiating a new relationship between the republics, it is the republics themselves that are going to do it. The Soviet Union as such is now little more than a twitching corpse.

"The sickle is to cut away the remnants of the old ideology, and the hammer is to bang the last nails into its coffin"

LETTERS

Europe and IT

From Mr Ian Mackintosh

Sir, May I offer a corrective to Guy de Jonquieres's doom-and-gloom about the European information technology (IT) industry ("Shadows over the sunrise sector," 25 July).

The last decade began with the European-owned IT industry apparently in a state of terminal decay. Dominated by rapid rates of technical innovation, heavy costs of research and development, daunting economies of scale — Europe's IT/electronics sector was derisively fragmented. In the early 1980s, for example, western Europe had about 15 computer manufacturers, 18 consumer electronics firms, 17 semiconductor (chip) makers (of which, incredibly, four were British), 10 suppliers of telecommunications equipment (compared with six for the US and Japan combined) and so on.

In short, for a variety of reasons, and with only a handful of honourable exceptions, Europe contained a raggle-taggle bag of technological pygmies, mainly concentrating on their own relatively small national markets, and trying to compete with foreign behemoths, all of whom were concentrating their world-embracing attentions increasingly on Europe in a quest for yet more sales to keep their ever-expanding factories busy.

To complete this disaster scenario, the European producers' share of free-world IT/electronics markets had been declining throughout the decade, their average R&D spend well below US and Japanese levels and declining. Many European-designed IT products were manifestly inferior and Europe's IT trade balance, roughly in balance in 1977, was negative and getting worse.

It is against this background of where we were heading that we need to measure Europe's present condition, rather than by some chimeric world-em-

bracing idea of where we wish we were. And, in those terms, the picture isn't too bad. Europe now contains three semiconductor companies almost large enough to promise long-term viability. They all still need support from the public purse and none of them is really profitable. Their main value lies not in the bottom line, but in the technology push they offer to European equipment makers.

Both Philips and Thomson (with Nixia not so far behind) now rate as worldwide consumer electronics producers, with excellent technology and heavy emphasis on global markets.

There are now only three major European telecommunications manufacturers and, almost unbelievably, all the major public telephone operators (PTOs) have come — albeit belatedly — to recognise the overwhelming attractions of digital electronics.

The computer sector, it is true, is in poor shape and it may be time for Brussels to make the public purse and none of them is really profitable. Their main value lies not in the bottom line, but in the technology push they offer to European equipment makers.

But overall, thanks to the last decade's often painful wave of consolidation, European IT companies can now take on the world. They have a clear perception of what they have to do, their technological base is vastly improved and they are run by a fresh generation of managers who, by and large, are on a par with their international competitors. Given only the ability and willingness of national and European authorities to continue, for a while yet, the support essential to encourage these companies to complete the process of rebirth, this decade will end with Europe's economy strengthened significantly by an indigenous, European-controlled, internationally competitive industry.

Ian Mackintosh
Mackintosh Generics Ltd
19 Buckingham Street, WC2

Every owner for himself

From Mr James McFarlane

Sir, Except on one point, it is hard to quarrel with your editorial comment on the impending acquisition of ICL by Fujitsu. You are right that sound technology is a better foundation for business than reliance on subsidies and protection, which hurt consumers. But I quarrel with your seeming indifference to the location of business ownership. Owners like to control their businesses — indeed, it is the reason for buying them. I think the Japanese owners will, very properly, control their property in their own interest. The British, or European, interest will be quite secondary.

So, rather than surrendering control of our productive capacity to others, we should find the spirit and the means to compete with them. It would be helpful if our Government, and influential organs of opinion such as the FT, were less unconcerned. If the nation is indifferent to the national interest, individual companies cannot be expected to sustain it at their own cost.

James McFarlane,
24 Broad Street,
Ludlow,
Shropshire

Picking at the wrong bone

From Mr John Owens

Sir, Your headline "Watchdog has a bone to pick with the builders" (July 25) is misleading because it suggests that the building industry is being picked at by operating price-fixing cartels.

In fact, the examples given relate to the suppliers of certain building materials, and not to the construction industry itself.

The Building Employers Confederation, the 500 members of which account for over three quarters of total building industry output, strongly condemns the operation of cartels. Building is a highly competi-

tive industry. The whole ethos of the free enterprise building industry is governed by keen and vigorous competition which gives our customers value for money.

Contrary to the situation suggested by your headline, it is the builders and their clients who are the victims of price-fixing agreements and we would not hesitate to draw to the attention of the Office of Fair Trading any evidence our members can provide of such practices.

John Owens,
Director General,
Building Employers Federation,
88 New Cavendish Street, W1

A-level breadth and narrowness

From Mr Peter Wood

Sir, Michael Prowse's latest report on the urgent need to reorganise education for 16-19 year olds ("In search of parity of esteem," July 16) and his criticism of government inertia are helpful and salutary.

However, his analysis of the academic-technical divide and his view of A-level "narrowness" surely needs refinement. It is hard to believe, for example, that the low standing of technical education is simply related to the high value placed by all on "abstract concepts." If pupils are as unusual as to place a high value on abstract concepts, they are presumably candidates for university education.

Mr Prowse continues to see A-levels as synonymous with narrowness and narrowness with "second-rate" education, while ignoring the content of A-level syllabuses and the totality of the education that

young people actually receive in our schools. He complains the two-thirds A-levels is "narrow" but objects to A-levels because they are as demanding as A-levels. On the one hand he seems to equate widening of educational opportunities with a lowering of standards, while on the other he advocates five-six A-levels (which only A-level students can pass) as a "short-run palliative."

He conceals nothing of the idea that "breadth" is not simply a matter of the mere number of subjects studied, but what is studied and how. He is surely totally justified in drawing attention to the appalling 65 per cent school drop-out rate, but his admirable case for a variety of learning opportunities at 16-19 owes little to his disparagement of vital elements in that variety.

Peter Wood,
Newbold Farm,
Dunstable, Bedfordshire, MK4

Bids for PowerGen

From Mr S. Berkovits

Sir, Any party seriously contemplating a bid for PowerGen ought to be required to post a substantial fee for the privilege of receiving the detailed information any such bidder will require. Whether such a fee would be refundable to either

successful or unsuccessful bidders is a matter for further consideration. In any event, such a scheme is preferable to underwriting only one bidder's costs.

S. Berkovits,
30 Florin Court,
Charterhouse Square, EC1

NOTICE OF REDEMPTION

To the Holders of

A/S Eksportfinans

13% Sinking Fund Debentures Due 1992

CUSIP No. 282645AA8*

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture dated as of June 15, 1982, as supplemented (the "Indenture"), between A/S Eksportfinans and United States Trust Company of New York, Successor Trustee (the "Trustee"), that \$30,000,000 principal amount of A/S Eksportfinans 13% Sinking Fund Debentures Due 1992 (the "Debentures") has been selected for redemption on September 1, 1990, payable September 3, 1990, at a Redemption Price equal to 100% of the principal amount thereof in accordance with the Sinking Fund provided for by the terms of the Debentures and as specified in Section 1203 of the Indenture. The following are the serial numbers of the Debentures which will be redeemed in whole or in part:

The certificate numbers of the Registered Debentures in the principal amount of unlimited bearing the prefix R to be redeemed in whole or in part:

Certificate Number	Amount	Certificate Number	Amount	Certificate Number	Amount	Certificate Number	Amount	Certificate Number	Amount
3180...\$14,000,000	3638...\$25,000	3955...\$10,000	3970...\$5,000	3985...\$1,000	4000...\$1,000	3181...\$14,000,000	3639...\$25,000	3956...\$10,000	3971...\$5,000
3907...\$25,000	3640...\$25,000	3957...\$10,000	3972...\$5,000	3986...\$1,000	4001...\$1,000	3908...\$25,000	3641...\$25,000	3958...\$10,000	3973...\$5,000
3909...\$25,000	3642...\$25,000	3959...\$10,000	3974...\$5,000	3987...\$1,000	4002...\$1,000	3910...\$25,000	3643...\$25,000	3960...\$10,000	3975...\$5,000
3911...\$25,000	3644...\$25,000	3961...\$10,000	3976...\$5,000	3988...\$1,000	4003...\$1,000	3912...\$25,000	3645...\$25,000	3962...\$10,000	3977...\$5,000
3913...\$25,000	3646...\$25,000	3963...\$10,000	3978...\$5,000	3989...\$1,000	4004...\$1,000	3914...\$25,000	3647...\$25,000	3964...\$10,000	3979...\$5,000
3915...\$25,000	3648...\$25,000	3965...\$10,000	3980...\$1,000	3990...\$1,000	4005...\$1,000	3916...\$25,000	3649...\$25,000	3966...\$10,000	3981...\$1,000
3917...\$25,000	3650...\$25,000	3967...\$10,000	3982...\$1,000	3991...\$1,000	4006...\$1,000	3918...\$25,000	3651...\$25,000	3968...\$10,000	3983...\$1,000
3919...\$25,000	3652...\$25,000	3969...\$10,000	3984...\$1,000	3992...\$1,000	4007...\$1,000	3920...\$25,000	3653...\$25,000	3970...\$5,000	3985...\$1,000
3921...\$25,000	3654...\$25,000	3971...\$5,000	3986...\$1,000	3993...\$1,000	4008...\$1,000	3922...\$25,000	3655...\$25,000	3972...\$5,000	3987...\$1,000
3923...\$25,000	3656...\$25,000	3973...\$5,000	3988...\$1,000	3994...\$1,000	4009...\$1,000	3924...\$25,000	3657...\$25,000	3974...\$5,000	3989...\$1,000
3925...\$25,000	3658...\$25,000	3975...\$5,000	3990...\$1,000	3995...\$1,000	4010...\$1,000	3926...\$25,000	3659...\$25,000	3976...\$5,000	3991...\$1,000
3927...\$25,000	3660...\$25,000	3977...\$5,000	3992...\$1,000	3996...\$1,000	4011...\$1,000	3928...\$25,000	3661...\$25,000	3978...\$5,000	3993...\$1,000
3929...\$25,000	3662...\$25,000	3979...\$5,000	3994...\$1,000	3997...\$1,000	4012...\$1,000	3930...\$25,000	3663...\$25,000	3980...\$1,000	3995...\$1,000
3931...\$25,000	3664...\$25,000	3981...\$1,000	3996...\$1,000	3998...\$1,000	4013...\$1,000	3932...\$25,000	3665...\$25,000	3982...\$1,000	3999...\$1,000
3933...\$25,000	3666...\$25,000	3983...\$1,000	4000...\$1,000	3999...\$1,000	4014...\$1,000	3934...\$25,000	3667...\$25,000	3984...\$1,000	4001...\$1,000
3935...\$25,000	3668...\$25,000	3985...\$1,000	4002...\$1,000	4000...\$1,000	4015...\$1,000	3936...\$25,000	3669...\$25,000	3986...\$1,000	4003...\$1,000
3937...\$25,000	3670...\$25,000	3987...\$1,000	4004...\$1,000	4001...\$1,000	4016...\$1,000	3938...\$25,000	3671...\$25,000	3988...\$1,000	4005...\$1,000
3939...\$25,000	3672...\$25,000	3989...\$1,000	4006...\$1,000	4002...\$1,000	4017...\$1,000	3940...\$25,000	3673...\$25,000	3990...\$1,000	4007...\$1,000
3941...\$25,000	3674...\$25,000	3991...\$1,000	4008...\$1,000	4003...\$1,000	4018...\$1,000	3942...\$25,000	3675...\$25,000	3992...\$1,000	4009...\$1,000
3943...\$25,000	3676...\$25,000	3993...\$1,000	4010...\$1,000	4004...\$1,000	4019...\$1,000	3944...\$25,000	3677...\$25,000	3994...\$1,000	4011...\$1,000
3945...\$25,000	3678...\$25,000	3995...\$1,000	4012...\$1,000	4005...\$1,000	4020...\$1,000	3946...\$25,000	3679...\$25,000	3996...\$1,000	4013...\$1,00

Soviet currency shops plan attacked

By Leyla Boulton in Moscow

THE CHAIRMAN of the Soviet central bank, Mr Viktor Geraschenko, yesterday attacked a Government plan to reopen hard currency shops for Soviet citizens, and argued that sweeping currency reforms were more urgent.

He also disclosed that within a month the Government would probably scrap a cumbersome system of 2,000 different exchange rates for Soviet enterprises, replacing it with a single devalued rate.

Addressing a news conference, he said: "We have nothing to hide here. This is not a devaluation in the western sense of the word. It will not be a shock for holders of Russian currency."

The move to reopen the spe-

cial currency shops, which takes effect tomorrow, will allow Soviet citizens to open foreign currency accounts without having to explain where the money has come from.

Disclosing a sharp disagreement with Government policy, Mr Geraschenko said he feared that the move would introduce a parallel currency within the Soviet Union. "People should be motivated to earn the currency of their own country, with which they can buy goods," he said.

Asked how the policy would have to be corrected, Mr Geraschenko said the Government should move towards a system in which foreign currency could be sold freely

within the country on the basis of supply and demand.

"I think we should arrive at a situation soon where we will widen the circle of banks and institutions which can handle currency operations," he said. "Currency auctions which are open to a limited number of Soviet establishments will be expanded."

Currency shops were closed two years ago but the Government says it wants to soak up millions of dollars floating around the economy and control the currency black market.

Separately, Mr Geraschenko expressed confidence that Moscow would be able to resolve a row with the Russian Federation, the country's largest republic, over control of

banks on Russian territory.

President Mikhail Gorbachev issued a decree on Sunday reasserting the authority of Gosbank - the all-union State Bank which Mr Geraschenko heads - but offering individual republics the right jointly to manage the banking system until the conclusion of a new union treaty.

The row was triggered by the Russian parliament's decision earlier this month to seize control of all banks on its territory. Mr Geraschenko said that both sides yesterday agreed on the need to work out new principles for the banking system.

Links restored, Ukraine defiant, Page 2; Foreign Affairs, Page 21

Congress asked to approve new savings and loan funds

By Peter Riddell, US Editor, in Washington

THE US Congress was yesterday asked to approve substantial new funds for the politically unpopular rescue of the country's savings and loan industry.

The rescue has become extremely unpopular, complicating the current budget talks between the Administration and Congressional leaders, because of voter opposition to higher taxes to bail out those responsible for the savings and loan collapse.

If the current pace of reorganisation and closure continues, the new funds would be needed before November's mid-term elections.

Mr William Seidman, chairman of the Resolution Trust Corporation, which oversees the rescue, said that in the 1991 fiscal year starting in October, the operation would need taxpayers' funding of between \$60bn and \$80bn to cover losses and to permit borrowing for working capital of \$50bn to \$60bn to acquire assets and refinance high-cost deposits.

He warned that without further funding the corporation would run up against its borrowing limits and have to curtail its operations, which would push up costs and might end depositor confidence.

However, Congress has in practice little choice other than to approve extra money in view of the Federal government's guarantee to protect savings and loan depositors.

Mr Robert Glauber, Treasury Finance Under Secretary, said yesterday that Congress must not let the process "grind to a halt."

He suggested that Congress might appropriate a limited amount, \$50bn to \$100bn, to allow the operation to continue until early calendar 1991. Alternatively, he indicated, it could provide longer-term or even unlimited funding.

"The RTC will have reached the intended \$50bn limit by the end of September. At that point, its ability to borrow against assets acquired will be nearly exhausted."

An initial \$50bn was approved by Congress a year ago to cover losses on the savings and loan rescue, but this had been inadequate because the losses have been greater than initially assumed, while working capital needs have been larger.

Property prices have fallen sharply and the number of failures has been greater than expected.

In nearly a year since the rescue legislation was passed, some 211 savings and loans, with assets of \$63bn, have been closed or sold.

The Treasury has estimated losses resulting from the rescue in the range of \$90bn to \$100bn, in present value terms and ignoring interest costs.

However, Mr Seidman said yesterday the cost could be between \$175bn and \$200bn, or "much in excess of \$500bn" if interest was added.

Continued from Page 1

opened a dedicated plant in Dunkerque - Pepsi, and Courage. On the food front, it supplies groups such as Unilever and Quaker.

Kiewit acquired the Continental Group through a \$2.75bn deal in 1984. It sold two US metal can divisions and the CC Canada business to Crown Cork & Seal for a total \$666m earlier this year.

Uncertainty has surrounded the CC Europe interests for some time. Kiewit retains a variety of Continental divisions, including three plastics businesses and certain international operations.

In the early 1970s, CC Europe successfully contested a EC ruling that it was abusing its dominant position in the European packaging industry. The case was seen as a landmark in EC merger policy.

In 1977, CC ended a 50-year agreement with Metalbox not to invade each other's territory and each then started operations in the other's home country.

THE LEX COLUMN

STC goes back to basics

STC's dour chairman was as close to ebullience yesterday as he can probably manage. The political furor over the sale of ICL has not materialised; STC is almost out of a business it perhaps should never have been in; and though not lavish, the price paid by Fujitsu looks respectable. ICL's net profits for the 12 months to June 30 now look to have been about \$58m, so the \$740m Fujitsu is paying for four-fifths of it equates to a historic multiple of about 11; and STC will be retaining UK real estate valued at about worth \$35m, plus its guaranteed dividend from ICL of £22m for 1990. In any case, the deal's details were so generously leaked that rivals had ample opportunity to bid and did not.

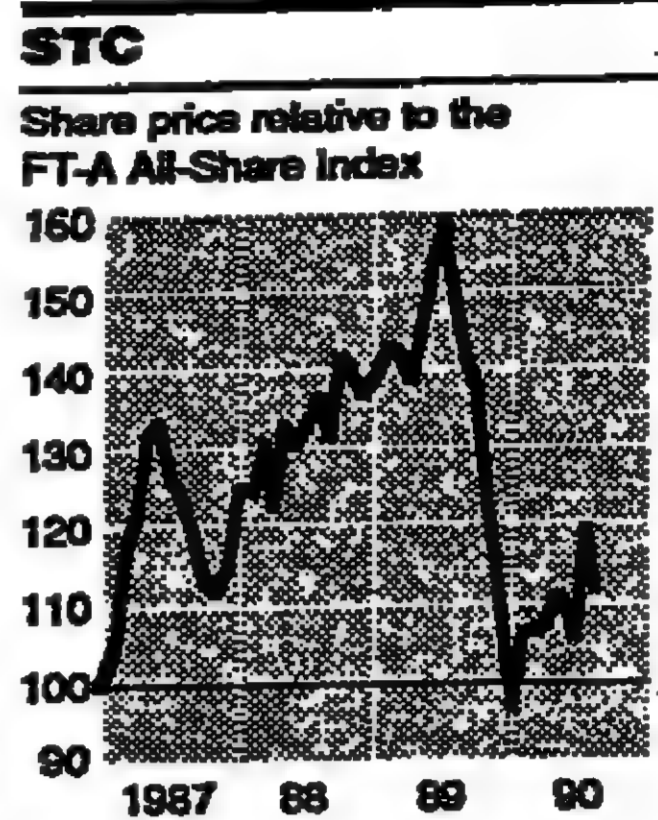
The more pregnant question now concerns the rest of STC. STC's management harbours no illusions that life after ICL means carrying on as a £1bn turnover telecoms manufacturer. The sharp first half drop in STC's operating profits in communications, from £44m to less than £20m, can be blamed on British Telecom, and a lack of big submarine orders. But the collapsing margins are a stark reminder of how treacherous those businesses can be. Subtract Fujitsu's £740m from STC's market capitalisation of £1.5bn and it is clear that investors value the rest of STC accordingly.

The problem with STC's plan to create a strong European communications manufacturing group is that £700m-odd of net cash is not that generous an endowment. ICL generated cash; STC's cable business consumes it. STC cannot buy GEC, Alcatel, Ericsson or Siemens; so some sort of joint venture looks more likely. But STC's 27 per cent shareholding in Northern Telecom, bought in at 240p and last night was starting at a share price down 7 per cent on the day at 267p. Unless someone bids, the shares could linger below 300p for some time.

Soft commissions

It is disappointing that the SIB has put its stamp of approval on soft commissions. Private investors must find it hard to understand why fund managers need to go through the rigmarole of paying out commissions with one hand and then receiving services ranging from Reuters terminals to performance measurement with the other. Even most people in the City seem to accept that in an ideal world broking services would be unbundled and paid for separately.

Instead, the practice appears to be growing relentlessly. Currently Warburg is aggressively



worry that the Bank of Japan will publicly admit. In the past fortnight, while it has apparently dithered over raising rates, long bond yields have moved from 7.1 per cent to 7.6 per cent. Equities have been prompt to respond. A fortnight ago the Nikkei Dow was 18 per cent above its April low since then it has fallen by 8 per cent. No-one is yet predicting a fall below the earlier low of 28,000; indeed, the promise of excessive growth should help corporate earnings in the medium term. But in the meantime the market is more preoccupied with the effect of a weak currency, a rising oil price and the cost of labour on corporate margins.

In the US, the market still seems divided between the appeal of Fed easing and the signs of real economic weakness which lie behind it. With the underlying US inflation rate not far short of 5 per cent, reducing interest rates at this point carries the risk of stagflation. Rather than the yen, it may be the dollar which proves really vulnerable, and that is not calculated to appeal to the UK equity market either.

Markets

The simultaneous weakness of US and Japanese equities begins to pose the threat of a rare awkward pincer movement. The US economy suddenly seems to be growing more slowly than bargained for and the Japanese faster. Expectations on monetary policy are therefore pointing in opposite directions; and for the first time since 1980, short rates in Japan look on the point of rising above those in the US.

It seems clear that inflation in Japan is now a greater

offering to return 83 per cent of all commissions in soft form, an approach which has caused alarm amongst its competitors. The SIB, perhaps hemmed in by competition laws, has decided neither to limit the percentage that can be offered by brokers nor the proportion of their business that fund managers can commit to soft commission deals - despite its previous idea of a 25 per cent limit on the latter.

At least the SIB has installed two sensible safeguards. Soft commission arrangements must be disclosed to clients and the requirement for best execution applies to soft deals as to everything else. But whatever the safeguards, the temptation at the margin must be to encourage the churning of accounts by fund managers. That can only be bad news for their clients. And any system which is designed to pass fund managers' costs directly on to their customers leaves a lot to be desired.

Ratners/Kay

The \$10m first half loss announced yesterday by Kay Jewelers will do little to quell the debate about the wisdom of Ratners' latest US foray. Plenty of people think Ratners is paying the stockholders too much; the bondholders evidently think they are being paid too little. Certainly, it is not difficult to arrange Kay's figures so that the stock appears absolutely worthless. But in Ratners' eyes this is to miss the point. It is paying for the Kay stores and brand name; and on that basis, the deal does not look expensive set against its other US purchases. As for those who argue that it would be better to wait for Kay to file for Chapter 11, Ratners points out that the business could disintegrate in the meantime.

The stand-off with bondholders ought to result in a speedy compromise. The extent of Kay's losses means that Ratners must be extremely keen to get its hands on the business as soon as possible, while the bondholders must now be doubly aware of the bleak future of Kay in the absence of a bid. But the odds of dilution of Ratners' 1991 earnings must have increased sharply.

Maxwell

Yesterday's Lex Column on Maxwell Communications incorrectly stated that very little of Maxwell's debt is capped. It is in fact all capped at an average rate of approximately 10 per cent.

Television station set on fire in Trinidad

By Canute James in Kingston

TRINIDAD and Tobago's television station, one of the headquarters of the black Moslems who have taken the country's Prime Minister hostage, was set on fire yesterday following an outbreak of shooting and bombings nearby.

The violence followed indications that the Moslems, who failed in an attempt to take over the country on Friday night, had been unable to reach agreement with the government to resolve the crisis.

It was not clear whether the shooting and blasts at the television station were the result of an attack by the security forces. A curfew in the area has restricted all movement except that of the security forces.

A contingent of 120 Jamaican soldiers was sent yesterday to Barbados, in the event of neighbouring Trinidad asking for outside assistance. Mr P. J. Patterson, Jamaica's acting Prime Minister, said the soldiers had been sent because of growing anxiety over the crisis.



A young Port of Spain looter walks warily past a soldier

STC plans to expand into telecoms

Continued from Page 1

global force in the computer industry. He said that he would be interested in acquiring further European companies "especially in the computer business field" although no talks were in progress.

In a move clearly designed to deflect concerns about ICL's security interests, its defence and intelligence businesses have been excluded from the transaction for the time being.

They will be transferred to STC or one of its subsidiaries.

The terms of the sale also provide protection for ICL's pensioners.

ICL will continue to participate in STC's pension schemes until ICL makes its own pension arrangements when appropriate funds from STC will be transferred to the new schemes.

British electricity workers urge buyout of generating company

By David Thomas and Maurice Samuelson in London

ELECTRICITY trade unions yesterday urged the management of PowerGen, the UK power generating company, to launch a workforce buyout of the group. At the same time, many potential bidders denied an interest in the company, which is being prepared for privatisation.

Hanson, the UK industrial conglomerate, has until mid-August to decide whether to launch a full bid for PowerGen. The Government has said this would trigger an auction for the company.

Mr Jean Bergougnoux, director-general of Electricité de France, said yesterday: "I have no project to buy PowerGen. I have seen no studies, and have had no talks with anyone about it."

Veba, the West German energy and chemicals group, said it had no concrete plans to bid for PowerGen. GKN, the

UK engineering group which had been linked to Veba in reports, also denied an interest.

RTZ, the resources group, and British Petroleum, the oil company, are also understood to have no current interest in bidding for PowerGen.

Texaco and Conoco, two US-based oil companies, also denied rumours that they might form consortia to bid for PowerGen.

Meanwhile, Mr John Lyons, secretary of Britain's Electricity Supply Trade Union Council, has written to PowerGen asking it to consider a management-employee buy-out.

This is a serious proposal, which we ask you to take up and work on as a matter of urgency. We will be willing to render any assistance that is appropriate and necessary."

The letter, addressed to Mr Ed Wallis, PowerGen's chief

executive. Commenting on his letter, Mr Lyons added yesterday that PowerGen's 9,100-strong workforce appeared to be strongly hostile to a Hanson takeover and to a competitive auction.

The City of London would not be surprised if PowerGen's top management tried to mount a management buy-out. Mr Robert Malpas, PowerGen's chairman, is understood to be unhappy about the prospect of a Hanson takeover and to have held discussions with political and financial circles about an independent bid by managers, workforce and the institutions.

But the Government would probably not welcome a highly leveraged buy-out for PowerGen, which is expected to be sold for about £1.5bn (\$2.7bn). This implies that the management would have to find some powerful backers.

MP killed by bomb was on IRA 'hit list'

Continued from Page 1

by these murderers. "I had great disagreements with Ian Gow and he with me, but no one can doubt his integrity or his courage and it is appalling that he should lose his life because of these qualities."

Mr Charles Haughey, the Irish Prime Minister, said Mr Gow was an honourable man who had deep concern about the problems of Northern Ireland.

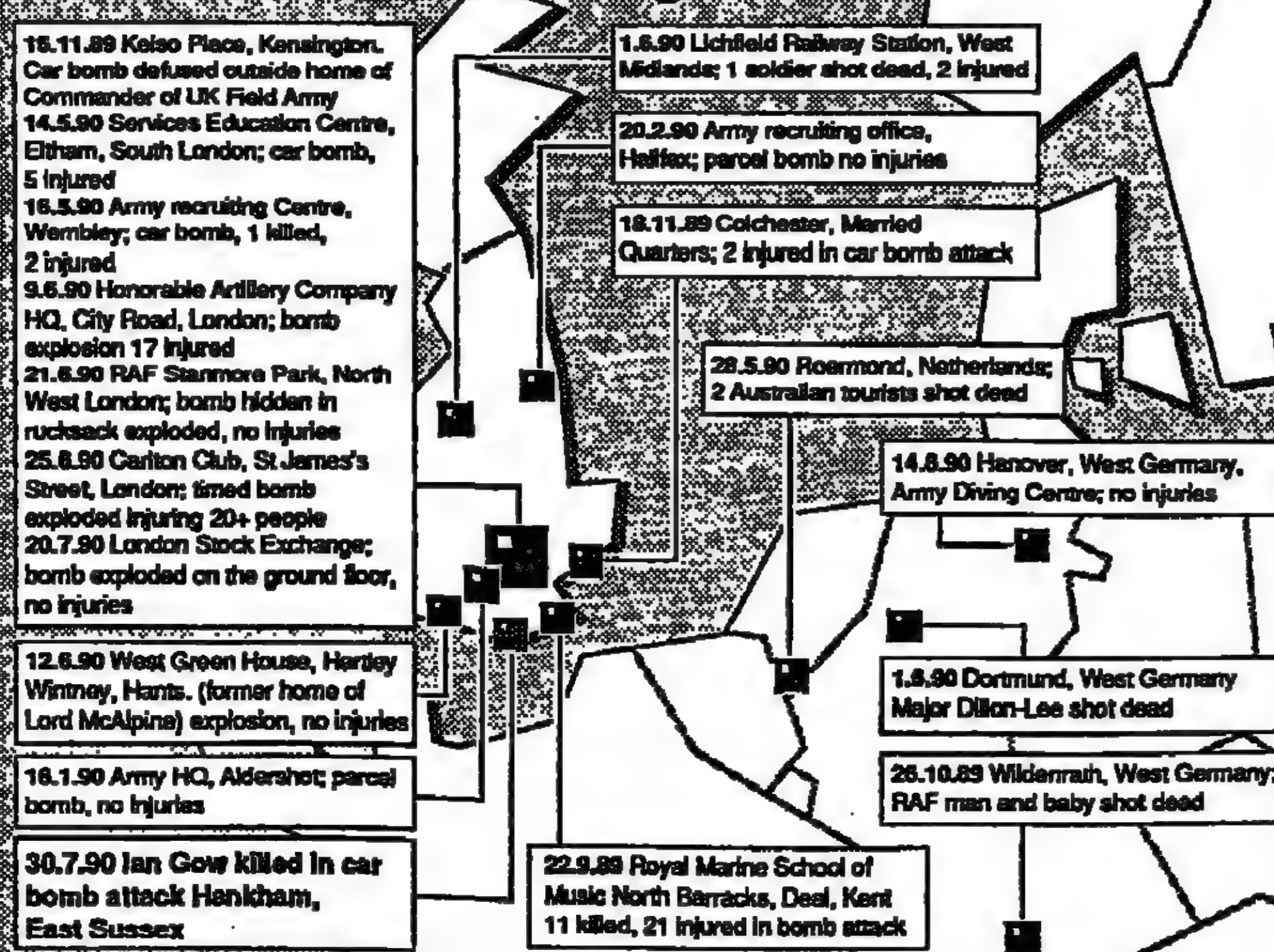
He added: "We might differ in our views on aspects of Anglo-Irish relations but I always recognised in him a man of honour, of integrity and of deep conviction."

Mr James Molyneux, an MP and leader of the Ulster Unionists, said he was horrified and saddened by the death of Mr Gow.

The Rev Ian Paisley, MP for North Antrim and the leader of the (Protestant) Democratic Unionist Party, also spoke out.

He described the killing as a "diabolical murder which again showed the depths to which the IRA would sink in order to achieve their nefarious ends."

Terrorist incidents on mainland and Continent since Deal bombing 1989



Ball in Continental Can deal

Continued from Page 1

opened a dedicated plant in Dunkerque - Pepsi, and Courage. On the food front, it supplies groups such as Unilever and Quaker.

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WORLDWIDE WEATHER											
Alaska	5	10	70	Berlin	5	10	70	Brussels	5	10	70
Algeria	25	15	60	Bombay	25	15	60	Buenos Aires	25	15	60
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Thailand	25	15	60	Bombay	25	15	60	Buenos Aires	25	15	60
Turkey	25	15	60	Bombay	25	15	60	Buenos Aires	25	15	60

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INSIDE

Big quarterly loss at Circle K

Circle K, the second biggest US convenience store chain, which has been operating under protection of Chapter 11 of the Federal Bankruptcy code since May 15, yesterday reported a large loss for its fourth quarter. The company was pushed into filing for bankruptcy protection partly because of its \$1.1bn of debt, incurred during a six-year expansion programme when Circle K quadrupled its store base to more than 4,600. Page 25

Molins head enters academia

Michael Wright (left) is stepping down as managing director of Molins the British cigarette machinery maker to pursue an academic career. In the last three years, Mr Wright has helped Molins ward off three hostile bids - the group is currently fighting an attempt by Leucadia, the US manufacturing and financial services company, to win control of its board. Yesterday, Molins announced a small increase in interim profits to £7m (£12.9m) helped by a pension fund surplus. Page 33

Merck and Du Pont in venture

A series of consolidations is creating a trim business. The latest move comes from Merck, the world's biggest prescription drug company, and Du Pont, the largest US chemicals group. They have set up a joint venture, Du Pont Merck Pharmaceuticals, prompted by the high costs of research, development, and marketing. Karen Zagor and Peter Marsh report. Page 28

Warning: volatile road



The European truck industry is normally cyclical. But this year more than most, manufacturers are discovering what it means to be flexible as they navigate through a period of extreme peaks and troughs. Hal Simonian charts the progress of Iveco, the truck subsidiary of Italy's Fiat group, as it responds simultaneously to a severe downturn in the UK truck market and buoyant demand in West Germany. Page 24

Eyes focused overseas

Dickson Poon, one of Hong Kong's youngest and most stylish entrepreneurs, is about to restructure Dickson Concepts, the luxury goods business which he started 10 years ago as a single watch and jewellery shop. Like many of his neighbours, Mr Poon plans to safeguard against Hong Kong's return to Chinese sovereignty in 1997 by shifting his corporate focus overseas. Page 25

Wang records \$497m loss in fourth quarter

By Louise Kehoe in San Francisco

WANG Laboratories, the struggling US office computer manufacturer, yesterday reported a fourth-quarter net loss of \$497m, but said it expects to return to the black in fiscal 1991, which began July 1. The group also announced that it plans about 1,000 job cuts in coming months. Wang said it achieved its fourth-quarter goal of balancing operating revenues and expenses. Losses from continuing operations were sharply reduced in the fourth quarter to \$5m from \$61.6m in the same period last year. The net loss, which was equivalent to \$3.01 per share, was struck after restructuring and other charges of \$417.4m and a year-end adjustment of \$24.2m. It compared with a net loss of \$374.7m, or \$2.29 per share, for last year's fourth quarter. Revenues from continuing operations totalled \$652.2m in the fourth quarter, compared with a restated \$750.9m in the same period last year. Wang said that it has eliminated much of its bank debt, which totalled \$575m last August through the sale of assets including its share in a European property subsidiary. Debts have been reduced to approximately \$30m and should be paid off within a few months, the company said. "This quarter's operating results demonstrate that the turnaround programs we have initiated are working," said Mr Richard Miller, chairman and chief executive. Revenues for the year totalled \$2.5bn compared to a restated \$2.9bn in fiscal 1989. Net loss for the year was \$715.9m, or \$4.35 per share, and included restructuring and other special charges of \$504.3m and a gain of \$116m from the sale of assets. The net loss includes losses from discontinued operations of \$97.3m, or 53 cents per share. In fiscal 1989, Wang had net losses of \$624.5m or \$2.59 per share, which included restructuring charges of \$142m. "In closing out our fiscal year, we made the business decisions necessary to complete the reorganisation of our company," said Mr Miller. The company wrote down the carrying value of obsolete and excess inventories, he said. The company also said it intends to trim its workforce by about 1,000, to 19,500 by the end of the current quarter. "Wang enters the new fiscal year in a healthier condition than it was at the end of last year, and will reflect, not past events and assumptions, but the realities of the marketplace and the company's operating strategy for the future," Mr Miller said.

Ratners to meet Kay bondholders

By Karen Zagor in New York

RATNERS Group, the UK jewellery retailer, which has offered to acquire Kay Jewelers of the US in a deal valued at \$122.2m, is meeting today with Kay's disgruntled bondholders. They feel they are not getting as good a deal as the group's stockholders and are threatening to scuttle the deal. Ratners is offering Kay's shareholders a stock-swap valued at about \$17-a-share. Bondholders are being offered 75 per cent of face value for their \$150m of outstanding Kay junk bonds. If the deal is to go through, more than 50 per cent of the bonds will have to be tendered by August 6, although Ratners has the right to vary these conditions. Ms Deborah Pederson, an analyst at IDS Financial Services, one of Kay's largest bond holders, says at least 90 per cent of the holders of Kay's 12 1/2 per cent senior subordinated notes and almost 90 per cent of the holders of its 12 1/2 per cent senior subordinated notes do not plan to tender their bonds under the current offer. Holders of Kay's \$100m of 12 1/2 per cent senior subordinated notes have a loan covenant which could force any buyer of Kay to redeem the bonds at full face value. Bondholders legally have the first claim on Kay's assets. "We paid for the protection covenant by accepting a lower coupon," said Ms Pederson. At midday yesterday, Kay's stock was trading at \$12 1/2, down \$4 on the New York Stock Exchange, while the company's 12 1/2 per cent bonds had a bid price of about 83 cents. Lex, Page 22

Dresdner Bank advances 8.9% to DM956m in first half

By Our Financial Staff

DRESDNER BANK, West Germany's second-largest bank group, yesterday reported an 8.9 per cent rise in first half group partial operating profit and said it expected 1990 group earnings to surpass 1989's record levels. Group partial operating profit rose to DM956.1m (\$590.1m) in the first half of 1990 from DM878.1m in the opening half of 1989. Partial operating data are before taxes and exclude gains or losses from the company's trading operations for its own account. Parent company partial operating profit grew 23.3 per cent in the first half to DM603.8m from the year-earlier DM487.7m. Dresdner said parent company business volume was likely to grow a strong 25 per cent in the next two years. "Our success will continue. We're assuming there will be a rise in profits above last year's outstanding performance," Mr Wolfgang Röllner, management board chairman, told the bank's semi-annual news conference. "Very positive first half developments and the continuing favourable prospects for our economy lead us to expect this year will end with a good overall result," Mr Röllner said. In 1989, Dresdner reported group partial operating profits of DM1.5bn. Mr Röllner said that in forecasting a higher 1990 profit, Dresdner had taken into account costs resulting from its second half investment in expanding its network of branches in East Germany. The cost of setting up a further 50 branches on top of the current 107 would exceed DM100m, he said. "We expect (business volume) to grow a full 25 per cent in the next two years," he said, adding a sizeable contribution would come from business in East Germany. Many of the bank characterised the full operating profit for the group in the first half as "developing clearly more favourably" than the partial figures. For the parent bank, full operating profit attained "double-digit" growth, Dresdner said. Separately, Bayerische Vereinsbank, the large West German mortgage and commercial banking group, said yesterday that partial group operating profit rose 3.7 per cent in the first half of 1990. It cited higher mortgage lending and a general rise in overall business for the rise to DM421m in the first half from DM406m a year earlier. Full first-half operating profit was higher than half of the 1989 operating profit, the bank said, without giving details. The Munich-based bank said its group balance sheet total rose 2.1 per cent to DM178.3bn on June 30 from DM173.6bn at end 1989.

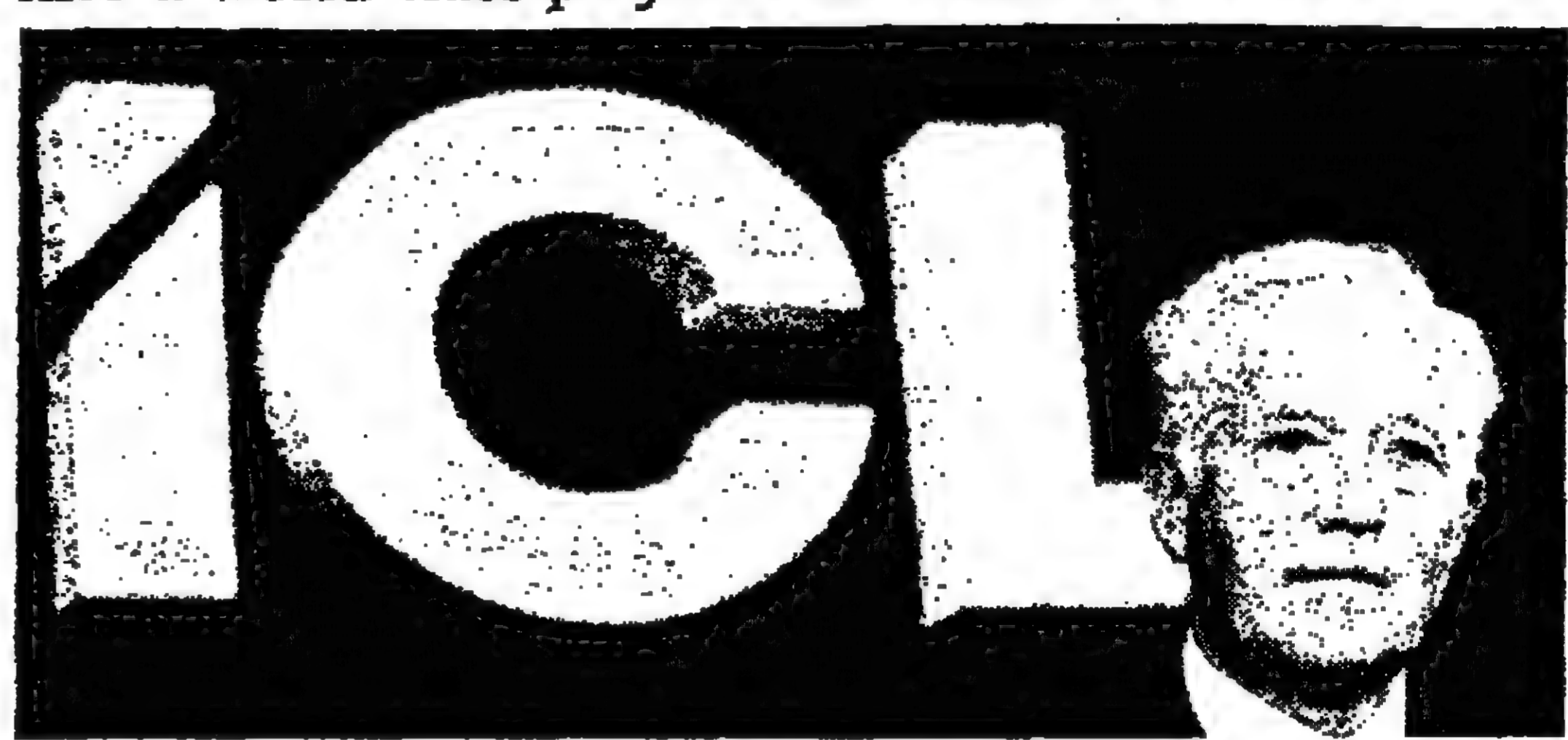
Hafslund profits fall by Nkr28m

By Karen Fosall in Oslo

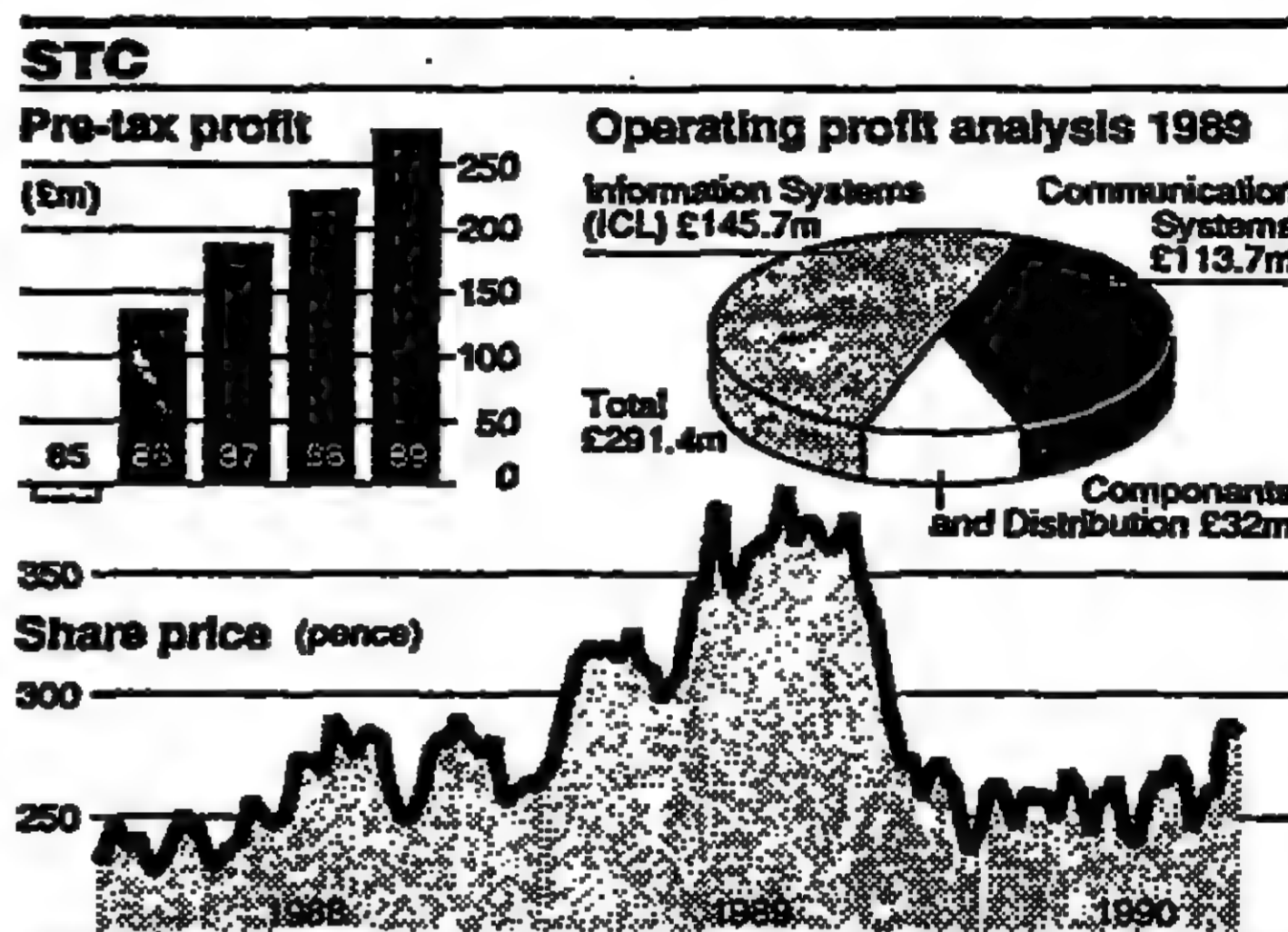
HAFSLUND NYCOMED, the pharmaceutical concern which is one of Norway's largest publicly-quoted companies, saw second quarter profits before extraordinary items slip to Nkr255m (\$41m) from Nkr283m in the first quarter. Hafslund, best known for its X-ray contrast media which help to produce X-ray pictures, forecast that earnings growth in 1990 is expected to be lower than in the longer term. This is because the full effect of restructuring following a recent Austrian acquisition will not be felt until 1991. Hafslund is one of Norway's most closely followed companies among international investors, largely because of the phenomenal success of its Omnipaque non-ionic contrast fluid, which offers better results and fewer side effects than older types. Despite the second-quarter downturn, group half-year profits before extraordinary items rose from Nkr510m in the first half of 1989 to Nkr536m on sales and royalties of Nkr1.522bn, up from Nkr1.577bn in 1989. Operating revenue in the second quarter fell to Nkr912m from Nkr990m in the first quarter. Hafslund said markets for both Omnipaque bulk substance, which is the backbone of the company's imaging division, and finished products continued to show satisfactory growth. Domestic pharmaceutical sales developed positively in the first half of 1990, but overall, lower prices were offset by higher production volumes. Research and development costs in the first half rose to Nkr234m from Nkr151m in 1989 and are forecast to almost double to Nkr500m for the year as a whole. Hafslund said the restructuring of CI Pharma, an Austrian pharmaceutical company in which it last year acquired a 55 per cent stake, is expected to be completed this year. CI Pharma has been renamed Hafslund Nycomed Pharma, and will become fully owned by Hafslund in 1993. In the individual divisions, Nycomed Imaging saw a 15 per cent rise in half-year operating revenue to Nkr554m and operating profit rose by 14 per cent to Nkr496m.

STC weighs its options for the global challenge

Hugo Dixon looks at plans to transform the group into a world class player in the telecoms sector



Arthur Walsh: "macho" considerations should not enter into business decisions



telecommunications markets around the world are progressively opening up to competition. This has resulted in a wave of mergers as groups try to cut costs by spreading their research and development expenditure over several markets. STC has been largely untouched by this wave of restructuring, but it now intends to take part. There are three main ways forward. First, STC could sell itself outright to a larger telecommunications group. The most obvious candidate would be Northern Telecom, the Canadian telecommunications manufacturer which already holds 21 per cent of STC. Although Mr Walsh denied that Nortel had made any bid approach, he admitted that the two companies had discussed the possibility. "If they want to buy more (shares), I guess I would not necessarily resist it," Mr Walsh said. "It depends on the price." Nortel has refused to comment on its strategy towards STC, but analysts believe that the British group could be more attractive now that it no longer owns ICL. The Canadian company has made no secret of the fact that it is more interested in telecommunications than in computers. The second way forward could be to form an alliance with a large telecommunications group by selling it a minority share. Fujitsu has told STC that, now it has completed the negotiations on ICL, it would like to talk about co-operation in telecommunications. The third way forward would be to knit together a group of smaller European telecommunications companies with expertise in transmission systems, the area upon which STC has concentrated.

trated. The idea would be to pool research and development costs by getting access to a wider range of foreign markets. Mr Walsh mentioned Philips of the Netherlands, Bosch of West Germany, Telettra of Italy and Nokia of Finland as possible collaborators. The company already has agreements to collaborate on research and development with SAT of France and Telettra. Mr Walsh said that options could include joint ventures, the acquisition of minority stakes or further research and development collaboration. However, he appeared to dismiss outright acquisitions, arguing that it would create hostility and that STC's maximum purchasing power of about £1bn (\$1.8bn) could not buy very much. "We are not going to charge into Europe with a sword labelled ICL's tombstone," he promised. Mr Walsh likes to compare the current state of his negotiations to build up STC's telecommunications business with where he was a year ago in talks on ICL. At that time, STC was still exploring a range of opportunities, including joint ventures with European computer companies. It was difficult to put together a European solution for computers because everybody wanted to be boss, leading to the sale of ICL to Fujitsu. There is no reason to suppose that the same attitude will not prevail in telecommunications. This raises the prospect that Mr Walsh, who is rare in not caring about machismo, may conclude his shareholders are best served by an outright sale. Lex, Page 22; STC results, Page 31; Japanese link, Page 31

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INTERNATIONAL COMPANIES AND FINANCE

GM chief's baby arrives just in time for retirement

By Martin Dickson in New York

AT EXACTLY 10:57 am Tennessee-time, Mr Roger Smith kept a long-standing date with industrial destiny yesterday - but only just, and then in the privacy of his own factory.

It was many years ago when the chairman of General Motors vowed that, before he retired, he would drive the first of the company's new Saturn model cars off the assembly line at Spring Hill, Tennessee. Yesterday morning he did just that, steering a red four-door sedan off the line. But the ceremony gave a new meaning to the concept of "just-in-time manufacturing": Mr Smith retires from General Motors tomorrow.

Saturn, which is of immense importance to GM's prestige, has been a special baby of Mr Smith's ever since the company began planning the innovative small-car back in the early 1980s. "Without Roger, there wouldn't be a Saturn," said Mr Richard Lefauve, president of the project, at yesterday's gathering.

Saturn was conceived eight years ago as an all-out American attempt to beat the Japanese in the small car market by starting from scratch - building a new car, in a new plant, using new labour practices and an entirely new dealer network.

Yesterday's ceremony was a small family affair at the world's largest industrial company, no press by request. The official reason for excluding the press is that GM does not wish Saturn's autumn launch into the US market to be compromised by half-baked advance publicity. It was also to allow Mr Smith to talk quietly to workers on the project - known as "team members" to reflect a new spirit of labour relations.

But there have been suggestions the company does not wish to have Saturn's association with GM highlighted too greatly in the media just before it starts trying to lure the buyers of Japanese cars who would not normally consider an American model.

Saturn aims to take some 80 per cent of its sales from non-GM brands, but it has a tough task as it is driving into an extremely crowded part of the small-car market.

Many of the project's original ambitious goals - including the scale of the operation and an aspiration to totally paperless, computerised manufacturing - have had to be scaled back, while others have been overtaken by changes in the market-place.

And while Wall Street analysts believe that Saturn will prove a very strong competitor, produced in an impressive state-of-the-art plant, they question whether it will make money for GM for years.

GM may be praying that no omen attaches to the fate of the car Mr Smith drove yesterday: it will go straight into the company's museum.

Hafslund profits slip in second quarter

By Karen Fosell in Oslo

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Despite the second-quarter downturn, group half-year profits before extraordinary items rose from Nkr510m in the first half of 1989 to Nkr538m on sales and royalties of Nkr1,902bn, up from Nkr1,527bn in 1988. Operating revenue in the second quarter fell to Nkr912m from Nkr990m in the first quarter.

Hafslund said markets for both Omnipaque bulk substance, a non-ionic contrast medium for enhancing X-ray pictures which is the backbone of the company's imaging division, and finished products continued to show satisfactory growth.

Domestic pharmaceutical sales developed positively in the first half of 1990, but overall, lower prices were offset by higher production volumes.

Research and development costs in the first half rose to Nkr234m from Nkr151m in 1989 and are forecast to nearly double to Nkr500m for the year as a whole.

Hafslund said the restructuring of CI Pharma, an Austrian pharmaceuticals company in which it last year acquired a 55 per cent stake, is expected to be completed this year.

For the individual divisions, Nycomed Imaging saw a 15 per cent rise in half-year operating revenue to Nkr54m and operating profit rose by 14 per cent to Nkr498m.

Nycomed Pharma increased 34 per cent in half-year operating revenue to Nkr259m and operating profits more than doubled to Nkr57m.

Iveco negotiates a rough road

Italy's truck maker plans a flexible route, writes Haig Simonian

Europe's truck makers know the peaks and valleys of economic cycles better than most manufacturers. But this year's ups and downs in the European market for lorries and heavy vehicles have been testing even their abilities to navigate.

Few have as many obstacles to negotiate as Iveco, the trucks subsidiary of Italy's Fiat Group, which is strongly represented in both the UK and West Germany - the two markets showing the greatest volatility - through its Iveco-Ford joint venture in the UK and through Iveco Magirus in Germany.

While UK hauliers, stunned by high interest rates and the economic downturn, are trying to eke out every extra mile from their battered old vehicles, their counterparts in Germany, buoyed by new business prospects to the east, can hardly wait to swap up the latest models.

Registrations in the UK for trucks of 16 tonnes and above - the "heavies" which may best reflect long-term economic expectations - dropped by 32 per cent in the first quarter of this year and by 37 per cent in April and May, compared with the same periods last year.

By contrast, German registrations of similar classes of vehicles accelerated by 25 per cent and 21 per cent in the two periods respectively. And that shift is particularly striking in view of the traditional stability of the German market, which has been seldom characterised by sharp changes.

For Iveco, the current buoyancy in Germany is not enough to compensate for the scale of the fall in the UK, explains Mr Giorgio Garuzzo, chief executive. The Iveco Magirus operation, based at Ulm in Bavaria, only has around 12.2 per cent of the German market, against some 80 per cent for Daimler Benz and MAN combined.

That is a far cry from the situation in the UK, where high interest rates and the slowdown in economic growth have come as a cold shower to hauliers, he says.

Despite the annual upward blip in sales in August thanks to the new registration year, senior managers at the company's Langley plant have recently pushed back their forecasts for a recovery to the final quarter of this year.



Giorgio Garuzzo plans smooth production changes in the range of vehicles



Mr Garuzzo warns of a stiff challenge ahead for Langley, which is just beginning to recover from the effects of a 6½ week strike. In 1989, Iveco had 13.6 per cent of the UK market for vehicles of 3.5 tonnes or over, and no less than 37.4 per cent in the medium 5 to 15.9 tonne bracket.

Although the strength of the pound and the 11.5 per cent wage rise conceded at Langley were negative factors, the group remains committed to its UK operation, he says. "We don't change our long-range planning on the basis of short-term events."

However, with new products due to come on stream at Langley soon, Mr Garuzzo warns that "the next 12 months or so will be very important to determine how the plant is responding to what we are asking of it."

The highly cyclical nature of the truck business means "you cannot plan on a budget base, but rather on a rolling basis."

The abruptness of the shift in the UK has certainly tested Iveco's ability to manage changes in production smoothly.

"You must get as much flexibility in your plants and versatility in your planning systems as possible," he says. At Iveco, production plans are prepared on a rolling basis, with output levels decided two months ahead and the precise mix five weeks before production.

The current downturn in the European truck market - Germany apart - may help to explain Iveco's apparent coolness towards Enasa, the Spanish state-owned truck producer, for which it was one of the bidders last year.

Mr Garuzzo stresses the company has no plans to reopen negotiations with the Spanish Government following the difficulties which have emerged over Enasa's planned sale to Daimler-Benz, culminating in MAN's withdrawal earlier this month as the principal partner.

Iveco has kept to the sidelines and matters are now in the hands of the Spanish Government, he says. But while the Italians have not been contacted by Madrid, "we will consider with due diligence any proposal coming from any government."

However, three factors have changed since the original frenzied bidding for Enasa. The West European market has dropped from last year's record of 515,000 units, with single digit percentage point falls likely over the next three years, according to Mr Garuzzo. Meanwhile, new business prospects in the east have distracted attention from west Europe. And even the formerly robust Spanish market has not been immune from the European downturn.

After five years of strong growth, Spanish registrations of trucks of 3.5 tonnes and above fell by 3 per cent in the first quarter of this year. And for heavy trucks of 16 tonnes and over, Spanish registrations have dropped by 13 per cent in the first quarter and by 11 per cent in April and May, over the same periods last year.

The tougher conditions will make it all the more important for Europe's main truck producers to co-operate in develop-

ing the new generation of less polluting diesel engines which Mr Garuzzo thinks will be the industry's main technological challenge in the 1990s.

With a 6-7 year period required for designing and bringing into production new high power diesel engines and an almost universal shortage of skilled engineers in Europe, he sees little sense in Europe's seven truck makers each developing proprietary products.

Hence the recent link between Renault and Volvo "makes it unlikely" that those two companies will develop competing engines. But Mr Garuzzo stops short of predicting a wave of full-blooded mergers between manufacturers. Instead, he forecasts a host of bilateral deals based on pooling research and development and other specific activities.

Iveco has already taken a step in that direction - although notably not with a European rival - via its joint venture with Nissan Diesel, one of Japan's leading truck producers.

The two companies will jointly develop a range of new medium-sized 6-8 litre truck engines, which they will then use independently.

The collaboration with Nissan, sought by Iveco, has not softened the Fiat group's well-known opposition to unrestricted imports of Japanese cars into Europe, nor Mr Garuzzo's own antipathy to the entry of Japanese truck manufacturers into what he thinks is an already overcrowded market. But as far as the engine project is concerned, "we are very happy, and I believe they are also very happy," he says.

Co op to sell shops to REWE

By Our Financial Staff

REWE, the West German private retailer, has agreed with Co op, the struggling food retailer, to take over its stores in the south and south-east of West Germany in October, Co op said.

The sale of the 400 shops employing 8,600 workers was a further step in restructuring the company, Co op said. The 400 stores had a turnover of DM1.5bn (\$1.1bn) in 1989.

Co op was rescued from bankruptcy last year when creditor banks agreed to forgive a large part of its debt. It declined to give a price for the REWE deal, but said cash from REWE had contributed to the costs of restructuring Co op.

Co op said last week it had sold 47 Plaza stores to the French distribution group Promodes. Last month it said it was selling 120 West Berlin stores to the East German VDK retailing chain. Co op has also agreed a purchasing pact with West German retailer Edeka Zentrale, effective from January 1.

COMPANY NEWS IN BRIEF

TWO COMPANIES at the centre of the Evergo group, controlled by Hong Kong's Lau brothers, were suspended by the company's takeover committee yesterday as rumours continued to circulate about a possible bid from a Taiwanese investor, writes Angus Foster in Hong Kong.

The companies, Evergo International and Chinese Estates, were apparently suspended at their own request following price rises last Friday.

The future of both companies has been unclear since a prominent Taiwanese investor, Mr C. S. Hwang, announced at the beginning of this month that he was considering making a bid for control of the Lau empire.

Mercedes-Benz, a New Jersey-based unit of Daimler-Benz, is to realign its field organisation and decentralise operational functions now done at the company's headquarters.

The restructuring, which should be in effect by the end of the year, is an effort to respond better to both regional market differences and dealer and customer needs, Reuter reports.

The change will not involve job cuts, the company said. In fact, Mercedes said it will increase its field staff by about 35 per cent to more than 330 employees.


Groupe Bull, the French computer maker, announced a loss of FF1,938m (\$347m) in the first half of 1990, worsening from a loss of FF537m in the year-earlier period. The results were revealed in yesterday's Financial Times.

Consolidated revenue was FF15.9bn in the first six months of the year, up slightly from FF14bn in the first half of 1989.

Banco Espanol de Credito (Banesto) reported that pre-tax profit surged 17.2 per cent in the first half of 1990 to Ptas35,29bn (\$356m), AP-DJ reports.

Financial revenue grew 33 per cent in the first half to Ptas12,29bn, lifted by a 40.7 per cent jump in loans and financial instruments.

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July 26, 1990

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INTERNATIONAL COMPANIES AND FINANCE

Birthday party for a chuppies' champion

John Elliott examines the rise of a Hong Kong entrepreneur's luxury goods empire

The 600 guests in Hong Kong's Regent Hotel were just starting their feast, eyes down to plates of caviar. Suddenly they were jolted by a crash of music as six topless blonde dancers swept out for what, at a company dinner in any country, would be an unusually daring floor show.

Some elite Chinese tycoons in the party looked mildly embarrassed, their wives pretending nothing untoward was happening. But there was no doubt that Mr. Dickson Poon, at 34 one of Hong Kong's most stylish and successful new entrepreneurs of the past decade, had scored again.

He was celebrating the 10th birthday of his Hong Kong listed company, Dickson Concepts, which has mushroomed from a single watch and jewellery shop into a string of big-name designer outlets selling luxury goods. These have flourished by meeting the urge of conspicuous consumption among Hong Kong's swelling ranks of wealthy "chuppies" and tourists.

Now he is about to restructure the group and is joining the growing number of companies which are insuring against the future, as Hong Kong approaches its 1997 return to Chinese sovereignty, by shifting their corporate focus overseas.

The first move is widely expected to be a public flotation in France to spin off S.T. Dupont, the Paris luxury lighters-to-leather goods company which Dickson took over in 1987. Mr. Poon will not confirm this and says Dupont might be put into a large European joint venture with other luxury goods companies.

Other possibilities include establishing an overseas domicile for Dickson Concepts, splitting the group into sections, seeking London and New York listings and floating Dickson Trading (Taiwan) on Taipei's stock exchange. Owned 51 per cent by Mr. Poon, the company has had rapid growth for several years. Last year after-tax profits totalled HK\$359.7m (US\$46.1m), 48 per cent above 1988-89, and turnover was 22 per cent up at HK\$2.15bn.

But even though 70 per cent of profits last year came from outside Hong Kong some analysts do not believe such achievements can be sustained. This is mainly because his Hong Kong sales are split 50-50 between locals and tourists, both of which are being hit by a general slowdown. His prestige central area shops look vulnerable and he is refusing to forecast this year's growth, because of economic imponderables in Taiwan as well as Hong Kong.

Mr. Poon is the urban son of Mr. Poon Kam Kai, a Hong Kong watch retailer who has built up considerable wealth during 50 years of activities based on four central jewellery shops. Educated at Uppingham, the British public school, and at a university in Los Angeles, Mr. Poon spent 18 months with Chopard of Geneva, learning the luxury watch business.

His father lent him HK\$5m and in 1980 he opened his first outlet in the then new Landmark building, one of Hong Kong's prime shopping centres.

The following year he acquired rights to run Charles Jourdan boutiques in Hong Kong, and in 1982 moved on to a wholesale business for Hermès watches and the distribution of Charles Jourdan leather goods. In 1983 watches, lighters and pens were added to the range.

"By 1983 we had seen an international niche in the market for a stylish, fashionable watch with an international reputation and a brand name because people were becoming more brand-name conscious about their watches," says Mr. Poon. "Our trend is to offer a lifestyle, not just a single product."

Mr. Poon claims a simple motivation for his designer goods: it is, he says, "important to be involved in a business one enjoys so one can devote all one's attention to one's work."

Dickson Concepts now has designer goods rights in three interlinked areas - franchise retailing, wholesale distribution, and full licensing for design, manufacturing and distribution - with about 10 international luxury goods names. They cover Hong Kong and 20 countries.

The retailing side has 96 shops, including 70 in Hong Kong of which nine trade under the name of Hong Kong Optical. This locally quoted company was taken over with a 50.4 per cent stake in 1988 and has been renamed Innovations to take the group down into mass-market goods.

Internationally the main presence is the ownership of Dupont. The attraction, says Mr. Poon, was "a truly international company with a reputable brand name and only a few well-defined product lines, plus its own distribution subsidiaries abroad which broadened our own Far East network."

The management was reorganised but is still entirely French, under Mr. Poon's chairmanship. The product range was diversified from cigarette lighters and pens to watches, men-

swear, handbags, and luggage.

The Innovations move has led to problems because a year ago it bought for HK\$116.4m a 20 per cent stake in Continental Holdings, a local jewellery manufacturer whose after-tax profits then dropped by more than 60 per cent in the first half of the current year. Earlier this month Innovations sued Mr. Charles Chan, chairman of Continental, for HK\$116m alleging there was misrepresentation of the company's finances at the time of the purchase.

This is a setback to Mr. Poon's almost flawless 10-year growth record and he has also faced more local competition with the Optical shops than in his other designer outlets.

The group's basic strength is its in-house design and marketing of designer goods, especially watches which range from Chopard at the top end at HK\$15,000 per piece, down through Dupont, Carrera, Givenchy, and Charles Jourdan to Guy Le Roche at HK\$800 to HK\$1,400.

The management ethos, says Mr. Poon, is to be very aggressive in terms of financing - so the group is debt-free - and only to engage ourselves in businesses in which we have expertise.

That conservatism is being applied to the gradual development of the restructuring plan which is aimed at enhancing the company's share value.

Mr. Poon says, however, he is optimistic about Hong Kong and, unlike many other locals, insists his glittery designer shops will continue to thrive after 1997 "so long as China keeps law and order, and the capitalist nature remains."

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ANZ group to buy T&C for A\$145m

By Kevin Brown

THE ANZ Banking Group yesterday announced it is to acquire the Western Australian Town and Country Building Society (T&C) at an agreed price of A\$145m (US\$114m).

In a joint statement, Mr. Will Bailey, ANZ Group chief executive, and Sir James McCusker, T&C chairman, said the offer had been accepted by shareholders controlling 60 per cent of T&C shares.

The deal will raise ANZ's market share in Western Australia from 9 per cent to 15 per cent, and will put the bank in third place behind the state-owned Rural and Industries Bank and Westpac Banking Corporation.

Mr. Bailey said the acquisition was the third stage in ANZ's strategy of correcting retail banking weaknesses in Western Australia, New South Wales and New Zealand.

ANZ acquired the formerly Government-owned PostBank in New Zealand in 1989, raising its market share from 10 per cent to 16 per cent, and becoming the largest banking group in the country.

It acquired National Mutual Royal Bank earlier this year, after the withdrawal of the bank's Canadian and Australian parents. That acquisition raised ANZ's market share in New South Wales from 7 per cent to 10.5 per cent.

Mr. Bailey said T&C was "a strong, healthy and profitable financial services institution."

Shares in Elders touch A\$1.58

By Kevin Brown

SHARES IN Elders IXL touched A\$1.58 (US\$1.23) on the Australian Stock Exchange yesterday - their lowest value since the 1987 world stock market crash - before recovering to close 4 cents down on the day at A\$1.63.

The fall reflected growing concern about the future of Harlin Holdings, the privately-owned company which owns a majority stake in Elders.

Harlin, which is controlled by Mr. John Elliott and other senior Elders managers, is believed to have negative net worth as a result of the falling value of its stake in Elders, its only asset.

The company is in breach of loan agreements and earning insufficient dividends from its BOND Corporation, Mr. Alan Bond's flagship, yesterday sought an extension of today's deadline for the sale of its Bond Brewing Holdings (BBH) subsidiary to Bell Resources.

Bond Corporation must finalise the A\$1.85bn (US\$1.45bn) sale of the brewery today or repay debts of A\$860m by the end of September to a banking syndicate led by the National Australia Bank.

The Bond group is believed to have sought a two-week extension of the deadline for repayment of the NAB syndicate loan, to provide more time for the details of the BBH sale to be finalised.

The Australian Stock Exchange has indicated that it may delist Bond Corporation if it goes ahead with a shareholders' meeting today to approve the sale. Delisting would trigger a series of cross-defaults within the Bond group, and could put the group into liquidation.

The breweries deal is also threatened by the group's inability to agree terms for a discounted buy-back of US debentures, which has to be agreed by tonight to avoid the withdrawal of a A\$340m funding facility.

The debenture holders have rejected a final revised offer to repurchase the debentures at a discount of 50 per cent.

The withdrawal of the facility would probably mean that the Bond group would be unable to repurchase the debentures, leaving the debenture holders to pursue the liquidation of BBH through the courts.

Liquidation proceedings resumed in the Victorian Supreme Court yesterday, but were adjourned after the court heard that a crucial technical report would not be completed until mid-September.

The US creditors are claiming US\$510m in subordinated debentures, plus two interest payments totalling US\$65m. They would rank behind banks in any group liquidation.

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Crédit Lyonnais Securities

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Deutsche Bank

Goldman Sachs International Limited

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Paribas Capital Markets Group

S.G. Warburg Securities

UBS Phillips & Drew Securities Limited

This portion of the offering was offered in the United States by the undersigned.

4,411,765 American Depositary Shares

Representing

75,000,005 Shares of Series A Common Stock

Price \$15.125 Per American Depositary Share

Salomon Brothers Inc

International Finance Corporation

Bear, Stearns & Co. Inc.

The First Boston Corporation

Alex. Brown & Sons

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette

Goldman, Sachs & Co.

Hambrecht & Quist Kidder, Peabody & Co.

Lazard Frères & Co.

Lehman Brothers

Merrill Lynch Capital Markets

Montgomery Securities

PaineWebber Incorporated

Prudential-Bache Capital Funding

Smith Barney, Harris Upham & Co.

S.G. Warburg Securities

Wertheim Schroder & Co.

Dean Witter Reynolds Inc.

C.J. Lawrence, Morgan Grenfell Inc.

Notice to Holders
Financière Crédit Suisse-First Boston

Up to 50,000 Warrants

(expiring on 13th September, 1991)

representing call options on shares of

Volkswagen Aktiengesellschaft

(listed on the Frankfurt Stock Exchange)

Ford Motor Company

(listed on the New York Stock Exchange)

Toyota Motor Company

(listed on the Tokyo Stock Exchange)

NOTICE IS HEREBY GIVEN that pursuant to Condition 6.2 of the Conditions of the above-described Warrants (the "Warrants"), Financière Crédit Suisse-First Boston has, with effect from 2nd July, 1990, increased the number of shares of Toyota Motor Company represented by each Warrant from 13 shares to 14.3 shares following the recent bonus issue by Toyota Motor Company.

Financière Crédit Suisse-First Boston

US\$250,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL
NOTES DUE JANUARY 1997

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 8.25% and that the interest payable on the relevant interest Payment Date October 31, 1990 against Coupon No. 23 in respect of US\$10,000 nominal of the Notes will be US\$210.83.

July 31, 1990, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

US\$500,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL
NOTES DUE OCTOBER 1996

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 8.25% and that the interest payable on the relevant interest Payment Date August 31, 1990 against Coupon No. 58 in respect of US\$10,000 nominal of the Notes will be US\$70.83 in respect of the Original Notes and US\$71.58 in respect of the Enhancement Notes.

July 31, 1990, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

US\$500,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL
NOTES DUE OCTOBER 1996

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 8.25% and that the interest payable on the relevant interest Payment Date August 31, 1990 against Coupon No. 58 in respect of US\$10,000 nominal of the Notes will be US\$70.83 in respect of the Original Notes and US\$71.58 in respect of the Enhancement Notes.

July 31, 1990, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

US\$400,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL
NOTES DUE OCTOBER 1996

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 8.25% and that the interest payable on the relevant interest Payment Date October 31, 1990 against Coupon No. 24 in respect of US\$10,000 nominal of the Notes will be US\$210.83.

July 31, 1990, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

US\$500,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL
NOTES DUE OCTOBER 1996

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 8.25% and that the interest payable on the relevant interest Payment Date August 31, 1990 against Coupon No. 58 in respect of US\$10,000 nominal of the Notes will be US\$70.83 in respect of the Original Notes and US\$71.58 in respect of the Enhancement Notes.

July 31, 1990, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Salomon Brothers

GLOBAL GROWTH IN M&A

In the first six months of 1990, the number and size of our strategic M&A advisories grew significantly. On five continents, Salomon Brothers proves that innovative ideas produce results for our clients. Results that make a difference.

<i>Client and Assignment</i>	<i>Approximate Size</i>	<i>Client and Assignment</i>	<i>Approximate Size</i>
American Information Technologies Corporation/Bell Atlantic Corporation Acquisition of Telecom Corporation of New Zealand Limited.*	\$2,400,000,000	Digital Communications Associates Divestiture of network communications group to Racal Electronics Plc.	\$28,000,000
Ausimont N.V. Swap of Thorofare fluorochemicals business of Società Nazionale Elf Aquitaine, for Ausimont's Spinetta, Italy, organic peroxides business.*	Undisclosed	Domtar Inc. Divestiture of Miranol Inc. to Rhône-Poulenc S.A.	Undisclosed
Ausimont N.V. Sale of interests in Società Italiana Additivi per Carburanti to The Associated Ocel Company Limited.	Undisclosed	Ebro S.A. Valuation advisory.	Undisclosed
Axel Johnson Inc. Divestiture of Industrial Tectonic subsidiary to Overseas Partners International.*	Undisclosed	Filofax Group PLC Sale of the company to The Tranwood Consortium Fund.*	10,800,000
Bancorp Hawaii, Inc. Acquisition of FirstFed America, Inc.*	140,800,000	Financial Security Assurance Holdings Ltd. Sale of the company to U S West, Inc.	345,000,000
Bank of the West Acquisition of Central Bank.	54,000,000	Fleet/Norstar Financial Group, Inc. Sale of a portion of Visa and MasterCard credit card portfolio to Norwest Bank Iowa, National Association.	Undisclosed
Beatrice Company Sale of the company to ConAgra, Inc.*	2,300,000,000	Florida National Banks of Florida, Inc. Sale of the company to First Union Corporation.	850,000,000
BSG/Creditanstalt Share exchange.	Undisclosed	French Ministry of the Economy, Finance and Budgets Financial advisory in connection with a share exchange between Banque Nationale de Paris and L'Union des Assurances de Paris.	Undisclosed
CalFed Inc. Divestiture of Anglo American Insurance Company Limited to Mazard P.L.C., an affiliate of John Head & Partners L.P.	105,600,000	Gebrüder Röchling Divestiture of Schorch GmbH to AEG Aktiengesellschaft.	Undisclosed
Canfor Corporation Divestiture of Alberta High Level operations to Daishowa Canada Co. Ltd.	Undisclosed	Generalitat de Catalunya Merger between La Caja de Pensiones and La Caja de Barcelona.	Undisclosed
Compagnie Financière Michelin Acquisition of The Uniroyal Goodrich Tire Company.	1,500,000,000	GTE Corporation Acquisition of cellular property interests from Providence Journal Company.*	710,000,000
Compagnie Générale des Eaux Acquisition of I. Krüger A/S from Danisco A/S.	Undisclosed	Holiday Corporation Divestiture of Holiday Inn Hotels to Bass PLC.	2,260,000,000
Compañía Embotelladora Argentina S.A.I.C. and Seven-Up Concesiones S.A.I.C. Sale of the companies to El Grupo PPR.	Undisclosed	Hotel Investors Trust Sale of hotel and gaming assets to EIE (Japan).*	152,500,000
Contel Corporation Acquisition of certain southeastern cellular franchises from McCaw Cellular Communications, Inc.	1,300,000,000	International Lease Finance Corporation Advised the Special Committee of the Board of Directors on the sale of the company to American International Group, Inc.*	1,300,000,000
Dayton Hudson Corporation Acquisition of Marshall Field & Company from B.A.T. Industries p.l.c.	1,040,000,000	Investor Group Acquisition of Grupo Torras, S.A.	1,600,000,000
Degussa AG Divestiture of Ferd. Wagner GmbH & Co. KG subsidiary to the management.	Undisclosed	IRIS Graphics, Inc. Sale of the company to Scitex Corporation Ltd.	35,000,000
Degussa AG Divestiture of gas analysis division to Rosemount GmbH and Co., a wholly owned subsidiary of Emerson Electric Co.	Undisclosed	ISS Servisystem Comercio e Industria Ltda., a subsidiary of ISS International Service Systems A/S Acquisition of Well's Restaurantes S.A. and Well's Administradora S.A.	Undisclosed
Degussa AG Divestiture of freeze drying activities to Santasalo-Sohlberg Oy.	Undisclosed	J.P. Industries, Inc. Sale of the company to T&N plc.*	370,000,000

*Pending

<i>Client and Assignment</i>	<i>Approximate Size</i>	<i>Client and Assignment</i>	<i>Approximate Size</i>
Jindo Corporation Acquisition of the Retail Fur Group, a division of The Fur Vault, Inc.	Undisclosed	San Diego Gas & Electric Company Merger with SCEcorp.*	\$2,600,000,000
Joraban (No. 26) PLC (Andrew Lloyd Webber) Acquisition of The Really Useful Group plc.	\$131,000,000	Soo Line Corporation Advised the Special Committee of the Board of Directors in connection with the sale to Canadian Pacific Limited of the 44.2% of outstanding common stock not already owned by Canadian Pacific Limited.	204,000,000
Katun Corporation Sale of minority interest to a leading Japanese corporation.	Undisclosed	Southwire Company Acquisition of certain assets of AT&T Nassau Metals Corporation, a wholly owned subsidiary of American Telephone And Telegraph Company.*	Undisclosed
Keystone-Arapahoe Limited Partnership Sale of the Keystone Resort Colorado to The Ralston Purina Company.	Undisclosed	Sovran Financial Corporation Merger with The Citizens and Southern Corporation to create Avantor Financial Corporation.*	4,700,000,000
Lafarge Coppee S.A. Financial advisory.	Undisclosed	The Bell Group International Limited Divestiture of Bryanston Insurance Company Limited to GFA International Limited.	Undisclosed
Lilley Plc Acquisition of Hatfield Estates plc.	30,000,000	The Foxboro Company Sale of the company to a wholly owned subsidiary of Siebe plc.*	656,400,000
LIN Broadcasting Corporation Advised the Special Committee of the Board of Directors on exchange of assets with Metromedia Company.*	850,000,000	The Travelers Corporation Divestiture of Travelers Mortgage Services, Inc. to General Electric Mortgage Capital Corporation.*	Undisclosed
Masco Corporation Divestiture of Compac Corporation, Fulton Manufacturing Corporation, and Reese Products, Inc. to TriMas Corporation.	Undisclosed	Time Warner Inc. Divestiture of Scott, Foresman and Company to Harper & Row, Publishers, Inc.	455,000,000
Nashua Corporation Divestiture of International Office Systems Group to Gestetner Holdings PLC.	201,800,000	Triton Container International Acquisition of certain limited partnership assets.	Undisclosed
National Intergroup, Inc. Sale of interest in National-Southwire Aluminum Company to Southwire Company.	40,000,000	Trustcorp, Inc. Sale of the company to Society Corporation.	500,000,000
NL Industries, Inc. Proxy fight for control of Lockheed Corporation.	2,331,000,000	TVX Broadcast Group Inc. Divestiture of TVX of New Orleans, Inc. to an investor group.	7,100,000
Pennsylvania Enterprises, Inc. Merger with NUI Corporation.*	427,000,000	Union Exploration Partners, Ltd. Merger into Unocal Exploration Corporation.*	4,556,000,000
Penntech Papers Inc. Sale of the company to Willamette Industries, Inc.	75,000,000	United Employee Acquisition Corp. Acquisition of UAL Corporation.*	4,340,000,000
Philipp Brothers Oceanic Inc. Divestiture of the Taiwan Pizza Hut Franchise to Jardine Matheson Holdings Limited.	Undisclosed	United Engineers, Limited Acquisition of Goodman Medical Supplies Ltd.	Undisclosed
Philips Industries Inc. Sale of the company to Tomkins PLC.*	550,000,000	United States Can Company Merchant banking investment in the company.	Undisclosed
Pinnacle West Capital Corporation Defense advisory.*	1,821,000,000	United Technologies Corporation Divestiture of Global Automotive Sealing Systems Group to Schlegel Corporation, a wholly owned subsidiary of BTR plc.	200,000,000
Premium Beverages Inc. Fairness opinion/valuation of company.*	Undisclosed	Vishay Intertechnology, Inc. Tender offer for Crystalate Holdings plc.*	52,000,000
Prime Motor Inns, Inc. Sale of hotel franchises to The Blackstone Group, Inc.*	171,000,000	WCRS Group plc Acquisition of 50% of Carat Holding, sale of 40% of WCRS Advertising Limited to Eurocom SA.	389,000,000
Public Service Company of New Hampshire Represented the Official Committee of Unsecured Creditors in bankruptcy proceeding and in negotiations with Northeast Utilities.*	2,400,000,000	Walwyn Inc. Merger with Midland Doherty Financial Corporation to form Midland Walwyn Inc.	40,000,000
Ramada Inc. Sale of hotels to New World Hotel (U.S.A.) Ltd.	540,000,000	Wang Laboratories, Inc. Divestiture of Wang Financial Information Services Corp. to Infotechnology Inc.	16,000,000
Renown Incorporated Acquisition of Aquascutum Group PLC.	126,000,000	Western Union Corporation Divestiture of Business Services Group to American Telephone And Telegraph Company.*	180,000,000
Resorts International, Inc. Restructuring.*	900,000,000	Wheelabrator Technologies Inc. Share exchange and merger with Waste Management, Inc.*	490,000,000
Richfood Holdings Inc. Divestiture of its wholly owned subsidiary Garner Wholesale Merchandisers, Inc. to a subsidiary of McKesson Corporation.	16,000,000	Wilmington Trust Company Acquisition of Sussex Trust Company.*	70,000,000
Salomon Inc Purchase of Lehman Management Co. from Shearson Lehman Hutton Inc.	28,000,000		

Salomon Brothers

Head of European Investment Banking

Ronald M. Freeman

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Salomon Brothers International Limited: London (TSA Member), Madrid (Representative Office) Salomon Brothers AG: Frankfurt, East Berlin (Representative Office)
Salomon Brothers Inc: New York, Atlanta, Boston, Chicago, Dallas, Los Angeles, San Francisco, Singapore (Representative Office), Seoul (Representative Office), Zurich
Salomon Brothers Canada Inc: Toronto Salomon Brothers Asia Limited: Tokyo Salomon Brothers Hong Kong Limited: Hong Kong
Salomon Brothers Taiwan Limited: Taipei Salomon Brothers Australia Limited: Sydney, Melbourne (Representative Office)

*Pending

U.S. \$100,000,000 Fortune Federal Savings and Loan Association

Collateralized Floating Rate Notes Due 1992

Interest Rate	8.25% per annum
Interest Period	30th July 1990 30th October 1990
Interest Amount per U.S. \$100,000 Note due 30th October 1990	U.S. \$2,108.33

Credit Suisse First Boston Limited
Agent Bank

U.S. \$100,000,000 FIDELITY FEDERAL SAVINGS AND LOAN ASSOCIATION

Collateralized Floating Rate Notes Due 1992

Interest Rate	8 3/4% per annum
Interest Period	31st July 1990 31st October 1990
Interest Amount per U.S. \$100,000 Note due 31st October 1990	U.S. \$2,108.33

Credit Suisse First Boston Limited
Agent Bank

ECU 50,000,000 THE KOREA DEVELOPMENT BANK

Floating Rate Notes due 1992

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from July 24, 1990 to January 24, 1991 the Notes will carry an Interest Rate of 10.5625% per annum. The interest amount payable on the relevant Interest Payment Date which will be January 24, 1991 is ECU 539.86 for each Note of ECU 10,000.

GENERALE BANK, Agent Bank

U.S. \$300,000,000



Woodside Financial Services Ltd. (Incorporated in the State of Victoria)

Guaranteed Floating Rate Notes due July 1997
Unconditionally Guaranteed by

Australian Industry Development Corporation

In accordance with the terms and conditions of the Notes, notice is hereby given that for the Interest Period from July 31, 1990 to October 31, 1990 the Notes will carry an Interest Rate of 8 1/4% per annum. The amount payable on October 31, 1990 will be U.S. \$5,190.97 and U.S. \$207.64 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

July 31, 1990



U.S. \$70,000,000

Autopista Vasco-Aragonesa, Concesionaria Española, S.A.

Guaranteed Floating Rate
Notes due 1995

Unconditionally Guaranteed by

The Kingdom of Spain

Notice is hereby given that for the six month interest period from July 31, 1990 to January 31, 1991 the Notes will carry an interest rate of 8 1/4% per annum. The interest payable on the relevant interest payment date, January 31, 1991 against Coupon No. 11 will be U.S. \$421.67 and U.S. \$10,541.67 respectively for Notes in denominations of U.S. \$10,000 and U.S. \$250,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

July 31, 1990



MANAGEMENT CONSULTANCY

The Financial Times proposes
to publish this survey on:

1st October 1990

For a full editorial synopsis and
advertisement details, please
contact:

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

INTERNATIONAL COMPANIES AND FINANCE

UAL employees need extension to buy-out deadline

By Roderick Oram in New York

EMPLOYEES OF UAL will need more time to raise some \$4bn from banks for their leveraged buy-out of UAL, parent of United Airlines, an adviser involved in the complex deal said yesterday.

"There's no way this is going to happen by August 9," he said. The group, led by Mr Gerald Greenwald, a former vice chairman of Chrysler, would have to tell the UAL board it had made progress but would need an extension of the deadline to finalise the financing.

"We haven't asked for an extension and the talks are continuing," a spokesman for the group said. He declined to comment on a report that Chemical Banking had dropped out of the consortium of five lead banks which is trying to put together a package for the employees.

The other four - Citicorp, Chase Manhattan, Bankers Trust and Manufacturers Hanover - also declined to comment.

The banks are concerned the buy-out group has yet to line up equity backing from outside investors, according to Wall Street reports.

So far the equity consists of

wage and contract concessions the employees are prepared to make if they owned the company.

The group has been trying to persuade its suppliers, such as aircraft and engine makers and lessors, to contribute either subordinated debt or equity to the deal.

Whether UAL's board would grant the group an extension remains to be seen. It would likely be willing to give the employees more time if they appeared close to a financing package. But if the money is still elusive then the board could be reluctant to give them a long-running option to buy.

Either way, the board will be seeking to avoid a repeat of last autumn's debacle. It was sharply criticised by shareholders after the collapse then of a \$6.8bn buy-out proposal from its pilots union and backers such as British Airways.

The deal foundered for lack of loans because banks felt the investor group's proposals and forecasts were far too optimistic.

The employees offer of \$4.4bn is considered more realistic but is still being closely questioned by potential lenders.

Du Pont Merck to target Europe

Karen Zagor and Peter Marsh look at an international drugs venture

Merck, the US group which is the world's biggest prescription drug company, has put to rest any latent fears that it was becoming a slumbering giant with last week's announcement of a joint venture with Du Pont, the biggest US chemicals business.

The deal follows the pattern of a series of consolidations in the \$150bn-a-year world drugs business. It also ends several years of uncertainty about what kind of future Du Pont intended for its small drugs division.

Du Pont has spent heavily in recent years on medicines research and development (R&D). It has failed, however, to indicate that it has sufficient marketing capability to become a big force in drugs on its own.

The Merck-Du Pont partnership creates a separate company, Du Pont Merck Pharmaceuticals, to be run on a 50-50 basis. Merck evidently has decided it does not want to buy out companies wholesale - as Roche of Switzerland did recently with its \$2.1bn takeover of Genentech of the US - and has preferred the joint venture route.

The rationale for the new partnership is the same as that behind the string of other drug industry regroupings in the past two years - which have included the merger between SmithKline Beckman of the US and Britain's Beecham and the takeover of the US's Rorer by Rhône-Poulenc of France.

Many of the big pharmaceutical companies have been keen to seek partners to gain economies of scale in R&D and marketing. Costs in both areas have been escalating due to more stringent government safety rules which new drugs must satisfy before they enter the market, and tougher competition.

"It is clear that there will be fewer companies in the future," said Dr Roy Vagelos, Merck's 60-year-old chairman and a highly regarded bio-

Top pharmaceutical companies

Market value (\$ billion)

Merck	34.4
Bristol-Myers Squibb	33.1
Lilly	24.2
Johnson & Johnson	22.6
Glaxo	21.1
Abbott Laboratories	18.1
American Home Prod.	16.6
ICI	13.4
Roche	12.8
SmithKline Beecham	12.7

chemist. "There will be bigger companies and I think we will be one of the survivors."

Du Pont will contribute its entire pharmaceuticals business, which is expected to have sales of \$550m this year, to the project. The venture is expected to clock up sales of \$700m in the first year with a research and development budget of \$230m and a staff of about 1,500.

Merck will contribute marketing rights to several drugs, including the anti-Parkinson's disease medicine Sinemet and the cardiovascular medicine Moduretic, to get the new company up and running in Europe. It will also help guide the venture through the labyrinth of research, development and worldwide regulatory barriers and marketing.

The benefits for Merck are more clearly defined than the company's role in the project. The venture will enable Merck to market its products through another global company, and will supplement its own research and development potential by about 30 per cent with minimal damage to its balance sheet.

Part of the reason for the large number of mergers and acquisitions in the industry is the high cost of developing drugs. It takes about \$230m to bring a drug to market, Merck said.

"Our only surprise was that

it took as long as it did for Du Pont to realise that its business was below critical mass," said Dr Johnathan Gelles, a drug industry analyst at Wertheim Schroder in New York. Dr Gelles defines critical mass as a revenue base for ethical drugs of at least \$3bn.

By 1994, Dr Gelles estimates that pharmaceutical companies will need to spend at least \$1.5bn on research, because most money on research is wasted on products which do not make it on to the market.

Furthermore, profit margins at drug companies are likely to be squeezed as pressures mount to slash prices on prescription products. Merck recently offered to reduce the price of prescription drugs bought under government-run medical insurance programmes and it seems likely that price cuts in other areas will follow.

The Du Pont project fits in with Merck's plans to expand its 4.5 per cent share of the world prescription drug market. "A trivial number which we should be able to double," Mr Vagelos said. Merck is still considering acquisitions, but has been deterred by the high prices and the so-called rationalisations which usually accompany takeovers.

A forerunner of the new alliance is Merck's own joint venture with Johnson & Johnson, which started last March. Merck had several products

which were better suited to the over-the-counter market than Merck's traditional prescription venue. Merck now provides the products in the venture and Johnson & Johnson provides the marketing expertise. One large difference between the two is that the Johnson & Johnson project is essentially a US deal while Merck-Du Pont eventually will be a global company.

Merck Du Pont has already said a first priority will be to build its European presence in the 1990s, increasing its European sales force to at least 650 by 1995. "I think Japan is the next step for our joint venture," said Mr Vagelos.

The thrust into Japan, if it occurs, will be led by Dr Joseph Mollica, chairman of the joint venture and the former head of Du Pont Pharmaceutical's research and development division.

Mr Mollica said the collaboration will allow the company to become a multi-national, multi-billion dollar, leading pharmaceutical company with less risk. "Now we can assess capability and get products to market one to two years earlier with broader market penetration than before."

Mr Mollica will continue to preside over the former Du Pont Pharmaceutical employees, but he will have to answer to a committee made up of representatives from Du Pont and Merck.

Although Merck and Du Pont have worked together successfully since October, when they entered a marketing and research agreement, the scope of the new venture inevitably introduces the hazard of clashing corporate cultures.

"Merck is pioneering a way to create win-win situations, by saying that it is not necessary to have total control," said Mr Mollica.

"But this will not be easy because it will have to work across two cultures and we have to assume that one side will buy the other out in the end."

Perkins and Navistar in engine sales deal

By John Griffiths

A LONG-TERM engine sales collaboration agreement has been signed between Perkins, the UK-headquartered diesel engines subsidiary of Varty Corporation (formerly Massey Ferguson), and Navistar, the North American truck and diesel engine manufacturer.

The agreement is the latest in a series of collaborative deals concluded by Perkins. It forms part of a strategy to broaden the range of diesel engines Perkins can supply through its network of 4,000 outlets spread through 160 countries.

Under the deal Perkins will sell versions of Navistar's 7.5 litre diesel engine, currently used mainly in medium-weight trucks in North America.

Perkins said last night it was too early to say how the two companies would divide up markets. However, it is expected that industrial uses and off-highway vehicle applications will feature most strongly in Perkins' sales.

Mr Tony Gilroy, Perkins'

group managing director, said the Navistar unit would provide Perkins with a more complete engine range, while Navistar would benefit from incremental sales. Navistar makes 35,000 annually of 7.5 litre engines, which are sold in power between 155 and 270 brake horsepower.

Neither company would say whether the agreement might be the precursor to further sales or manufacturing collaboration between the two groups.

Perkins sold 440,000 diesel engines world-wide last year, just under half of which it produced at its UK plants.

Other collaborative deals it has signed recently include distribution arrangements with Detroit Diesel Corporation of the US, Enasa of Spain and Volvo Penta, the Swedish marine engine group.

Last year it entered a joint venture with Vamo, a Bulgarian engine maker, to set up a research and technology consultancy service.

LTV improves on sale of investment

By Martin Dickson in New York

LTV, the steel-making group which is operating under Chapter 11 of the US bankruptcy code, yesterday reported second-quarter net income of \$76.8m, up from \$30.2m in the same period of last year, but the increase was mainly due to a one-time gain on the sale of an investment.

The company also pointed out that net income for the second quarter of last year had been reduced by a \$30m special charge.

Sales for the quarter dropped by \$76m to \$1.59bn, mainly because of lower sales of steel products and military vehicles, partly offset by higher sales in energy products.

The company's steel making business recorded operating income of \$88.2m, down from \$104.2m, on sales down from \$1.10bn to \$1.02bn. Shipments dropped from 2.04m tons to 1.91m.

LTV attributed the drop in steel income to higher labour costs - due to a new pact with the United Steelworkers -

lower average selling prices and lower shipments.

Shipments to the automobile industry had remained essentially the same as a year ago, but those to most other market segments had declined.

In an important ruling in June, the US Supreme Court said an agency which runs a federal pension insurance programme could require LTV to reassume liability for more than \$2bn in employee pension plans the company stopped funding in 1987.

The ruling was seen as sending a general message to companies that they could not simply dump pension fund liabilities.

However, Mr Raymond Hay, LTV's chairman, said yesterday the company could not afford these pension plans when it filed for Chapter 11 and could not afford them now.

It was continuing to explore alternatives which might resolve the issue and allow it to complete its Chapter 11 reorganisation.

Domtar suffers in first half

DOMTAR, the Canadian pulp and paper, packaging and building materials group, suffered a first-half loss from continuing operations of C\$93m (US\$33.8m), or 52 cents a share, against net profit of C\$43m or 45 cents a year earlier, agencies report.

It blamed the sluggish North

American economy, weak commodity prices and the high Canadian dollar.

The second-quarter loss was \$25m or 27 cents, against net profits of C\$25m or 26 cents. First-half sales were down 5 per cent to C\$1.21bn, of which C\$908m, a decline of 7 per cent, came in the second quarter.

First-half volumes and prices were lower for nearly all products, including gypsum wall-board, of which Domtar is one of North America's top producers.

But uncoated freesheet, used widely in computer, copying and other business papers, held relatively stable. Domtar recently sold most of its energy and chemicals assets to concentrate on its core businesses.

Most analysts doubt that the company will do more than break even for the full year, though its building materials business is highly sensitive to any significant decline in North American interest rates.

Circle K posts large loss

By Karen Zagor in New York

CIRCLE K, the second biggest US convenience store chain which has been operating under protection of Chapter 11 of the Federal Bankruptcy code since May 15, yesterday reported a large loss for its fourth quarter.

The company was pushed into filing for bankruptcy protection partly because of its \$1.1bn of debt, incurred during a six-year expansion programme when Circle K quadrupled its store base to more than 4,600.

Circle K has also been hit by strong competition from petrol companies which have installed convenience stores at their outlets.

For the three months ended April 30, Circle K suffered a net loss of \$747.4m or \$17.19 a fully diluted share, against a net loss of \$28.1m or 57 cents a year earlier.

Earnings in the 1990 quarter include a reorganisation and restructuring charge of \$639.3m which the company took as a result of its financial condition. Reorganisation efforts and Chapter 11 filing, Circle K said, stockholder equity on April 30 was a negative \$451.6m. Revenues fell to \$907.8m from \$932.1m.

For the 12 months, Circle K had a net loss of \$772.9m or \$17.91, against net income of \$15.4m or 20 cents a fully diluted share. Revenues grew to \$3.74bn from \$3.49bn.

The Phoenix, Arizona-based company said it expected to file a list of all liabilities and assets on August 28. "At this time, the company cannot predict the scheduling or ultimate outcome of the bankruptcy proceeding nor the effect upon the value of any of its outstanding securities."

This announcement appears as a matter of record only.
July, 1990

FINANSBANK

Istanbul, Republic of Turkey

U.S.\$ 20,000,000 Revolving Credit Facility

Arranger

Deutsche Bank Luxembourg S.A.

Provided by

Deutsche Bank
Luxembourg S.A.

AIB Capital Markets plc

Arab Banking
Corporation (ABC)

Banque et Caisse d'Epargne
de l'Etat, Luxembourg

Commonwealth Bank
of Australia

Kärntner Landes-
und Hypothekenbank

Central-European
International Bank Ltd.

Deutsche Bank Luxembourg S.A.



CITICORP BANKING CORPORATION

(Incorporated with limited liability in the State of Delaware)

U.S.\$50,000,000 Floating Rate Notes due July 29, 1991

Notice is hereby given that the Rate of Interest for the period July 31, 1990 to October 31, 1990 has been fixed at 6.20% and that the interest payable on the relevant Interest Payment Date, October 31, 1990 against Coupon No. 17 in respect of US\$10,000 nominal of the Notes will be US\$209.56.

July 31, 1990, London
By: Citibank, N.A. (CST Dept.), Agent Bank

CITIBANK

Republic New York Corporation

U.S. \$150,000,000

Puttable Capital Notes

For the six month period 30th July, 1990 to 30th January, 1991 the Notes will carry an interest rate of 8 1/4% per annum with an interest amount of U.S. \$428.06 per U.S. \$10,000 Note payable on 30th January, 1991.

By: Bankers Trust
Company, London, Agent Bank

INTERNATIONAL CAPITAL MARKETS

Small number of new issues reflects subdued markets

By Tracy Corrigan

THE HANDFUL of new issues in a couple of sectors yesterday reflected subdued and trendless markets.

CMS No. 5 launched a \$250m issue of floating-rate notes backed by National Home Loans mortgages. The notes, launched by S. G. Warburg, pay interest at 3/4 point above three-month sterling Libor for the first 10 years; the average life of the issue is expected to be 4.6 years. On a discounted basis, the notes offer a return

INTERNATIONAL BONDS

of 29 basis points above Libor, in line with outstanding sterling mortgage-backed paper.

The reception of the issue, launched late in the day, was not marred by recent reports that mortgage default rates are rising, dealers said.

Also in the sterling sector, the National Australia Bank, Australia's third largest bank, brought a \$150m issue of variable-rate notes. The subordi-

nated capital will rank as lower Tier 2 capital under Bank of England guidelines. NAB, which owns Yorkshire Bank, Northern Bank, Clydesdale Bank and National Irish Bank, now has a third of its assets in the UK, and "was keen to increase its sterling liabilities," according to lead manager Salomon Brothers International.

Elsewhere, Banque Nationale de Paris brought a NZ\$50m issue of 13 1/2 per cent Eurobonds due 1994 via Hambros, which was bid inside 1 1/2 point fees at less 1 1/2 point. But the issue was outperformed by Telecom of New Zealand's higher-yielding 13 1/2 per cent three-year issue, which was increased for a third time yesterday to NZ\$75m.

In the French market, Crédit Lyonnais launched a FF10bn issue of 10 per cent five-year Eurobonds, fungible with its outstanding FF1bn issue. The bonds, launched via Crédit Lyonnais, were considered aggressively priced at 54 basis points above the five-year French government bond. The

initial FF1bn issue, launched in May, was priced at a 63 basis point spread. The issue was quoted on full fees of 1 1/2 points.

In Switzerland, the Province of Nova Scotia's SF\$250m 10-year bonds ended their first day of secondary market trading at 98 1/2, compared with a 10 1/2 issue price.

Midland Bank's long-term debt ratings have been lowered to A1 from A2 by Moody's, following a downgrade by the other leading US agency, Standard & Poor's, earlier this month.

Moody's also lowered the ratings of Midland's subordinated debentures to A2 from A3 and perpetual junior subordinated debt to Baal from A2.

● Istituto Nazionale di Credito Italiano has signed a 1.250bn long-term facility, arranged by Banco di Roma. The margin is 23 basis points above the Libor for the 10-year tranche and 4 1/2 basis points for the 15-year tranche. The proceeds will be used to fund mortgages denominated in Lire, Ecu and D-Marks.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
CMS No. 5 Plc (c)	250	3 3/4	98.85	2007	25/50p	S.G. Warburg Secs.
National Australia Bank (c)	150	10	100	2002	n/a	Salomon Brothers
FRENCH FRACS						
Crédit Lyonnais (c)	10n	10	101.60	1995	1 1/2/1 1/4	Crédit Lyonnais
NEW ZEALAND DOLLARS						
Banque Nationale de Paris (c)	50	13 1/2	102	1994	1 1/2/1 1/4	Hambros Bank
Telecom of New Zealand (c)	75	13 1/2	101.80	1993	1 1/2/1 1/4	Kreditbank NV

floating rate notes. (c) Variable rate notes. (d) Final terms. (e) Issue increased for second time, original amount NZ\$50m then increased to NZ\$75m. (f) Non-callable. (g) Coupon pays 1/4 over 3-month Libor first 10 years, then 50bp over thereafter. Average life 4.6 years. Fixed re-offer price. (h) Coupon pays 50bp over 3-month Libor. Full bank rates 1-5 50bp over 3-month Libor, remainder 75bp over Libor. (i) Fungible with FF1bn issue launched in May.

Amex plans Dax and CAC warrants

By Deborah Hargreaves

THE American Stock Exchange is planning to trade warrant issues on the West German Dax stock index and France's CAC 40 index in September.

Mr Jim Jones, chairman of the Amex, says the new products are part of the exchange's international strategy. "I have told the staff to prepare market surveillance agreements with stock exchanges all over the world, whether we use them or not," he said.

The US regulator, the Securities and Exchange Commission, requires a US exchange to have an information-sharing and surveillance agreement with a foreign market whose products it wants to trade.

The differences between the German and the US system has held up approval of the agreement between the Amex and the Frankfurt Stock Exchange, but Mr Jones believes it is close to being ratified.

The banks play a dominant role in the Frankfurt market and they are unwilling to disclose as much information on share ownership as the SEC requires.

However, Mr Jones is confident the Amex will begin to trade put and call warrants on the German and French stock indices by the end of September. The exchange has been trading warrants on the Nikkei and the FT-SE 100 index for over a year.

E Germany nears debt limit with latest deal

By Deborah Hargreaves

THE STAATSBANK, East Germany's former central bank, yesterday launched an issue of DM5bn floating-rate debt in a move that brings the country's borrowing close to the limit set for this year in the agreement on monetary union with West Germany.

The issue of three-year bonds will pay a rate based on the six-month Frankfurt interbank offered rate (Fibor), plus 0.05 per cent.

The bonds were launched too late in the day to elicit much reaction from other market participants. But the fact that they are eligible to be held as collateral for Lombard funding and repurchase agreements will make them attractive to West German banks eager to get their hands on short-term paper.

An earlier issue of DM4bn zero-coupon bonds for the East German state was placed quickly with banks in West Germany, where the banks have been looking for this sort of paper since the domestic money market is often lacking in liquid short-term deals.

The short-term borrowing by East Germany will help finance the initial costs of currency and economic union between the two Germanys.

However, an initial limit to the country's borrowing powers set by the treaty for monetary union which came into force on July 2, is close to being breached.

The treaty set a level of DM10bn for East German borrowing for the rest of the year, but this latest issue takes the state's borrowing to DM18bn.

Traders expect the borrowing ceiling to be raised, particularly in view of the country's expected budget deficit, which is likely to be DM10bn higher than expected in the second half of the year.

Bonn had hoped to keep East Germany's deficit to DM32bn, of which DM22bn would be covered by the German unit fund.

Issuing the bonds in its own right, and the rest by East Germany's direct borrowing powers.

The finance ministry, however, is now complaining of a lack of budgetary discipline.

Green light for soft commissions

Richard Waters on mixed reaction to the SIB's qualified approval

After years of wrangling, soft commission brokers in the UK got their way yesterday, official confirmation from the Securities and Investments Board that this form of broking business is here to stay.

The brokers' joy, however, is heavily tempered by two considerations.

The first is that soft commission arrangements — under which fund managers promise a certain amount of business to a broker in return for specified services — still have a long way to go to prove themselves. Some large broking houses, such as Goldman Sachs, and many fund managers remain implacably opposed to this form of business.

Mindful of the reservations, the SIB made it clear that it would keep a close eye on soft commissions. If necessary, it would further limit the range of services that brokers can "soft," and may impose a ceiling on the proportion of their business that managers put with soft commission brokers.

However, it believes in principle that soft commissions, properly regulated, have a place. As a form of "unbundling" of brokers' services, softing is a reaction to valid market demands. According to Mr David Walker, SIB chairman:

"I have a rooted objection to interfering with market processes of this kind."

Critics argue there is scope for abuse in the type of services the broker provides to the manager. Why shouldn't fund managers pay a lower commission, and buy other services with the cash they save? This is simpler than paying a large commission, having some of it returned in the form of services, and then disclosing this to the client at the end of the year — the route approved by the SIB.

One of those opposed to soft commissions, life insurance company Scottish Equitable, says: "We'd like to see it all out in the open. It would be simpler and clearer if clients paid an investment management fee and that was it, rather than fund managers taking a bit on the side from a share of commissions."

And one large market participant, which declined to be named, complained of the SIB: "It's an underground economy. If certain money managers are not making an adequate return, they should put their fees up."

The second cause for concern among soft commission brokers is the cut-throat price war instigated recently by Warburg Securities. Having sat on the sidelines for some time,

Warburg has now made clear its intention to win a larger share of the soft commission business, which best guesses put at 10 to 15 per cent of all commission-bearing business in the UK.

Its decision to "refund" up to 53 per cent of commissions to fund management clients in the form of services — far more than the 50 to 55 per cent of other houses — puts others under pressure to follow suit or lose market share.

Other soft commission houses, among them Thamesway, which is owned by Barclays de Zoete Wedd, Hoenig and Javelin, claim that Warburg is simply slashing its prices to gain business for its market makers. This, they claim, is a form of "soft for net" — a type of business, outlawed in the SIB's proposed rules, under which fund managers promise commission-free business to particular market makers in return for softing arrangements.

The SIB, while it has not taken a view on the Warburg move, made it clear yesterday that it intends to uphold its rules vigorously. Mr Walker said: "If what someone is doing is driving a coach and horses through the rules, we will pursue it as a regulatory matter."

Meanwhile, the soft commission brokers have plenty to be thankful for in the SIB's proposed rules, which is due to come into force on January 1. The regulator confirmed that it was dropping an earlier suggestion, that no more than a quarter of a fund manager's business should go into softing.

The SIB said that the proposed cap, which it had admitted all along was arbitrary, might have mistakenly suggested a norm to which fund managers should aspire. Also, it could have been argued that the ceiling put an unfair restraint on some managers, such as those of index funds, who have no demand for the research services provided by "traditional" brokers.

Soft commission brokers also welcomed the list of approved services that could be covered by softing agreements. The list, contained in a draft rule published by the Investment Management Regulatory Organisation, covers computer hardware, custodian services and portfolio valuation, as well as advisory and research services.

Soft Commission Arrangements in Securities Markets: A Policy Statement, SIB, 3 Royal Exchange Buildings, London, EC3V 9NL.

New-style Asian options grow increasingly popular

By Deborah Hargreaves

COMPANIES are turning to a new form of options product for hedging their exposure to risk in the over-the-counter market. Called Asian options, the new products have become increasingly popular.

Asian options differ from the more traditional European or American-style options since they are based on an average price of a commodity over a period of time, rather than on a single price taken at the end of a period. For this reason, they are cheaper to use and appeal to corporations looking to hedge a commodity they deal with daily. Importers and exporters hedging goods they receive daily are enthusiastic users of the new-style options.

Traditionally, options are priced according to a value reached for that commodity on a particular day. American options can be exercised at any time during the life of an option, while European-style options must be exercised on expiration only. European and American options are traded on the leading derivatives exchanges, while Asian options are currently available only over-the-counter.

Asian options are also applicable in the foreign exchange market, where capital flows occur daily and could temporarily distort the price of a traditional option.

As they are based on an average price, Asian options are less volatile and cheaper to use.

Tourism group plans first ADR launch for Turkey

By Jim Bodgener in Ankara

TRADING IS expected to start shortly on Wall Street in Turkey's Net tourism group through an American depositary receipt (ADR) facility.

This is claimed to be the first such programme for a Turkish concern.

Its parent company, Net Holding, hopes eventually for a listing on the New York Stock Exchange (NYSE).

One ADR coupon will represent five Net Holding shares listed on the Istanbul Stock Exchange in Turkey, around 35m shares or 93 per cent of the company's equity in public ownership.

Eventually, the Net group hopes to fully enter the NYSE once a share price has been established in the US.

The Net group plans to increase its capital, and eliminate the use of pre-emptive rights.

The increase in capital will not be distributed to shareholders, however, but will be offered in a block on the NYSE.

The proceeds, expected to be between \$30m and \$50m, will eliminate Net Holding's financing costs.

Disbank, a subsidiary of quasi-state Turkey's Bankast, is the latest Turkish bank to announce plans to go public.

The bank will sell 15 per cent of its nominal TL100bn capital at the end of August or the start of September.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS									
Monday July 30 1990									
Figures in parentheses show number of stocks per section	Index	Day's change	Est. Earnings Yield (%)	Est. Div. Yield (%)	Est. P/E Ratio	Est. Div. Yield (%)	Est. P/E Ratio	Index	Index
1 CAPITAL GOODS (194)	865.89	-0.6	13.36	5.36	9.15	23.04	871.21	875.30	877.04
2 Building Materials (26)	1115.07	-0.1	13.70	5.41	9.01	30.01	1115.30	1125.85	1125.05
3 Contracting, Construction (36)	1438.61	-0.3	16.52	5.72	7.87	35.78	1443.54	1443.56	1438.27
4 Electricals (10)	2424.34	-0.5	11.83	5.49	10.40	61.43	2437.03	2442.95	2438.50
5 Electronics (26)	1765.25	-1.3	10.74	5.15	12.19	51.82	1788.11	1788.64	1786.99
6 Engineering-Aerospace (8)	438.96	-0.4	14.15	5.13	8.62	34.00	440.73	442.59	441.88
7 Engineering-General (46)	490.18	-0.5	12.12	5.22	10.00	11.34	492.46	492.83	492.82
8 Metals and Metal Forming (6)	481.35	-0.5	23.99	6.98	5.07	16.48	483.82	483.97	491.18
9 Motors (13)	349.65	-0.2	16.14	6.69	7.20	9.81	348.82	352.02	352.35
10 Other Industrial Materials (23)	1536.67	-1.0	11.35	5.19	10.19	39.22	1551.66	1557.14	1574.12
11 CONSUMER GROUP (179)	1301.93	-0.3	9.32	3.88	13.26	24.05	1306.04	1307.48	1313.19
12 Brewers and Distillers (22)	1643.02	-0.7	9.27	3.55	12.96	30.46	1631.38	1624.46	1629.34
13 Food Manufacturing (20)	1088.71	-0.3	10.44	3.55	11.86	23.19	1092.11	1096.89	1102.42
14 Retailing (16)	2607.75	-0.4	8.68	3.16	14.74	40.59	2617.14	2610.14	2614.11
15 Health and Household (15)	2332.40	-0.8	8.85	2.74	17.40	40.21	2352.14	2352.27	2370.13
16 Leisure (33)	1464.64	-0.2	10.05	4.29	12.12	34.00	1465.86	1466.49	1461.79
17 Packaging & Paper (12)	602.97	-0.9	10.99	5.72	11.19	12.94	608.45	608.29	610.82
18 Publishing & Printing (16)	3335.86	-1.8	10.79	5.54	11.58	105.00	3396.17	3398.31	3410.54
19 Stores (34)	810.83	-0.3	10.91	4.65	11.87	16.49	813.61	818.86	825.41
20 Textiles (11)	488.28	-0.3	12.61	4.57	10.11	18.26	489.64	493.06	493.78
21 OTHER GROUPS (187)	1164.66	-0.2	11.33	5.10	10.70	20.13	1166.49	1167.19	1168.34
42 Agencies (16)	1492.24	-0.1	6.87	2.61	17.61	15.86	1493.00	1495.01	1514.35
43 Chemicals (24)	1216.00	-0.2	10.92	5.45	10.82	31.36	1213.99	1224.50	1269.97
44 Conglomerates (15)	1603.86	-0.4	10.63	6.23	11.30	31.95	1610.88	1613.84	1645.59
45 Transport (13)	2321.45	-0.2	10.60	4.46	11.98	49.33	2327.00	2338.64	2391.17
46 Telephone Networks (2)	1173.93	-0.1	11.42	4.88	11.39	26.09	1175.02	1180.17	1193.81
47 Water (10)	2002.80	-0.2	16.02	6.76	6.98	68.12	1999.32	1996.53	1977.19
48 Miscellaneous (27)	1727.69	-0.6	12.77	6.20	8.92	41.95	1737.97	1748.50	1774.73
49 INDUSTRIAL GROUP (480)	1155.20	-0.3	10.89	6.44	11.23	24.98	1159.18	1164.40	1171.32
51 Oil & Gas (20)	2391.11	-0.9	12.49	5.25	10.50	60.49	2372.32	2390.98	2421.96
52 500 SHARE INDEX (500)	1254.97	-0.4	11.11	4.72	11.12	27.88	1260.29	1266.56	1275.36
61 FINANCIAL GROUP (168)	787.39	-1.2	19.54	5.83	10.12	21.40	796.80	801.29	807.76
62 Banks (9)	836.91	-1.7	19.54	6.49	6.70	23.62	851.03	858.09	867.11
63 Insurance (Life) (7)	1432.44	-1.6	—	5.07	—	36.94	1475.38	1495.69	1501.47
64 Insurance (Composite) (6)	659.19	-1.0	—	6.27	—	19.43	665.57	665.87	676.59
65 Insurance (Brokers) (8)	961.63	-0.3	8.95	6.47	14.72	32.75	964.88	966.64	954.06
66 Merchant Banks (4)	456.13	-0.4	8.40	4.65	10.12	10.76	457.67	457.76	457.13
67 Property (47)	1264.64	-0.4	6.32	8.67	15.91	19.83	1267.13	1267.13	1274.90
70 Other Financial (24)	288.29	-0.2	10.58	6.79	12.25	8.95	289.23	289.82	289.64
71 Investment Trusts (66)	1202.56	-0.4	—	3.22	—	18.16	1207.56	1214.73	1223.87
91 Overseas Traders (5)	1421.76	-0.4	9.83	6.38	12.15	59.65	1437.83	1447.48	1453.48
99 ALL-SHARE INDEX (679)	1142.87	-0.5	—	4.85	—	26.13	1148.93	1154.80	1162.86
FT-SE 100 SHARE INDEX	2316.5	-13.6	2322.4	2311.5	2300.1	224.1	2364.7	2360.9	2359.7

FIXED INTEREST						AVERAGE GROSS REDEMPTION YIELDS		Mon Jul 30	Fri Jul 27	Year ago (approx.)	
PRICE INDICES	Mon Jul 30	Day's change %	Fri Jul 27	xd adj. today	xd adj. 1990 to date	1	British Government				
						2	Low Coupons <td>5 years.....</td> <td>10.66</td> <td>10.65</td> <td>9.44</td>	5 years.....	10.66	10.65	9.44
						3	25 years.....	10.65	10.65	9.10	
						4	5 years.....	11.90	11.95	10.29	
						5	Medium Coupons	15 years.....	11.12	11.13	9.49
						6	25 years.....	10.79	10.79	9.15	
						7	High Coupons	5 years.....	12.00	12.05	10.42
						8	15 years.....	11.36	11.39	10.71	
						9	25 years.....	11.02	11.03	9.34	
						10	Irredeemables	10.73	10.72	9.08	
							Index-Linked				
						11	Inflation rate 5%	Up to 5yrs.	5.10	5.22	2.86
						12	Inflation rate 10%	Over 5 yrs.	4.28	4.29	3.50
						13	Inflation rate 10%	Up to 5 yrs.	3.97	4.09	2.07
						14	Inflation rate 10%	Over 5 yrs.	4.10	4.11	3.33
						15	Debs & Loans	5 years.....	13.76	13.86	12.39
						16	15 years.....	12.79	12.79	11.85	
						17	25 years.....	12.52	12.50	11.32	

UK COMPANY NEWS - ICL/FUJITSU

Japanese link promises a 'bloody interesting future'

Alan Cane explains why STC had to look east to find a buyer for its computer offshoot

THE LATEST issue of Fujitsu's quarterly magazine "In Touch" features the popular Japanese game "Go". Contrasting it with chess, it observes: "In chess, the object is to trap and capture pieces; in Go, it is to take territory."

Fujitsu's purchase of most of ICL's computer business is its most significant move yet in a global game of Go from which it is determined to emerge as the dominant player.

Mr Peter Bonfield, ICL's chairman and chief executive, believes, however, that Fujitsu's approach to globalising its computer business is both novel and bold.

"It is attempting to take strategic stakes in different companies to acquire different skills. In the past nine years, it has learned about ICL's skills very well."

He compares Fujitsu's approach with that of many US acquirers. "They buy something, send in American managers, absorb it into the organisation and lose its identity. Fujitsu's view is to add value and work with the local community for the prosperity of all. It sounds grand, but I think they genuinely believe that."

Today, Mr Bonfield is at the beginning of a whistle stop tour of ICL's plants

Fujitsu was not, at the outset, the first or obvious choice. Mr Arthur Walsh, STC chairman, says he has talked to a dozen companies in the two years since he first made it public he was looking for a partner.

It was clear, he explained, that in a world where the computer business is dominated by International Business Machines and the telecommunications business by AT&T, STC did not have the resources to compete successfully by itself in both spheres.

From discussions with STC's senior management and with the management of ICL's European competitors, it emerges there were three principal reasons why a European solution to the problem could not be found:

● Talks with potential European partners continually foundered on issues of ownership and control. Mr Walsh

was determined to seek an arrangement whereby one partner had a clear majority stake. Deals which resulted in one side holding 60 per cent and the other 40 per cent resulted in cumbersome management. "I've seen enough of that," Mr Walsh snifted.

● ICL's potential European partners were in considerably worse commercial shape than



Takuma Yamamoto, chairman of Fujitsu: novel and bold approach

ICL. Bull, state-owned, looks like returning its second consecutive year in the red. Olivetti, while profitable, is having a hard time. Siemens, with most of its market for computers inside Germany, is still absorbing Nixdorf. Mr Walsh said: "To ask a set of managers

who pulled a company through difficult times then to subordinate their interests and management skills with another, less successful company is very difficult, perhaps impossible. This deal will not do that. Some of the others would."

● Potential partners were con-

Fujitsu's technology, a merger or partnership would have limited value.

One European chief executive said sadly: "It is sad that STC's terms could only be met by Fujitsu."

What kind of a company will ICL be after the transaction is completed in November?

"A bloody interesting one," Mr Bonfield says bluntly. "It will be a member of the Fujitsu family, a European company listed in London with international sales but with 80 per cent of its business in Europe."

He believes that ICL will continue to play a full part in the European computer industry, continuing to take part in joint research projects and Community initiatives.

"Our European partners will want to continue working with ICL. We are good at collaborative research and a valuable member of the European computer community."

Mr Walsh, comparing ICL's future under Fujitsu with its often rocky past said: "Today there is no doubt about its future, no doubt about its technology and no doubt about its customer base."

"Perhaps customers should be wondering whether to continue buying IBM with this new force for growth in the market," ends

ICL to be floated in London within five years at £1.2bn minimum valuation

By Alan Cane in London and Ian Rodger in Tokyo

THE ANNOUNCEMENT that Fujitsu will pay £743m for an 80 per cent stake in ICL was made simultaneously yesterday in London and Tokyo. The deal will make Fujitsu the second largest computer group in the world after International Business Machines.

Fujitsu intends to float ICL on the London stock market within five years, giving it a value of at least £1.2bn.

Mr Takuma Yamamoto, president of Fujitsu, said in London that the deal was made principally to support his company's plan to become a global electronics manufacturer. It would be interested in acquiring further European companies, especially in the computer business field, although it was not actively pursuing talks with other companies at present.

Mr Arthur Walsh, chairman of STC, said it was a deal which was good for all the companies involved; it secured ICL's future, gave STC a considerable opportunity to develop as a global communications group, and doubled the size of Fujitsu's international operations.

After the sale, the company would have the resources and the technology to develop its plans to become a major player in the communications business.

In Tokyo, Mr Michio Naruto, managing director of Fujitsu with responsibilities for international activities, said ICL was becoming "an important and brilliant son" in Fujitsu's family. He flatly denied any connection between the takeover and the unification of the European market in 1992. He was "100 per cent confident" that the UK Government would approve the deal.

Among the principal points of the deal are:

● Fujitsu will acquire 80 per cent of ICL for £743m and pay an additional £42.5m for the retail operations in the US, making a total of £785.5m.

● The intended flotation of ICL will involve at least 25 per cent of the equity at a minimum price of 225p per share,

valuing ICL at not less than £1.2bn. Mr Yamamoto said the purpose of this was to safeguard ICL's European identity. If 25 per cent was floated, STC would contribute 15 per cent and Fujitsu 10 per cent. Mr Walsh made it clear that STC had not yet decided whether it would sell the entirety of its ICL stake on flotation.

Deal was made principally to support Fujitsu's plan to become a global electronics manufacturer. It would be interested in acquiring further European companies

● The deal is conditional on shareholder approval at an ECM of STC on August 16, and the transaction will be completed in November when a new board will be announced. It will be chaired by Mr Peter Bonfield, present chairman and chief executive of ICL, will be predominantly European, and will have nine members nominated by Fujitsu and two by STC. The top management team at ICL is expected to stay in place.

Mr Yamamoto said that arrangements between Fujitsu and Siemens of West Germany and Telephonica of Spain would not be affected by the deal with ICL. Fujitsu supplies Siemens with supercomputers and components for its top-end mainframes.

Mr Bonfield said the deal would result in a broadening of product lines for both companies; Fujitsu had already agreed to market ICL's powerful DRS 6000 workstation internationally. He did not expect, initially, that ICL would market Fujitsu's IBM-compatible mainframes.

He was confident that ICL would reach its target of £4bn in sales by 1995. In the first six months of the current year it made £766.2m.

Deliveries to British Telecom fall by 26% and shares slip 21p

STC's £77.7m at low end of expectations

By Hugo Dixon

STC, the electronics group, yesterday reported a 32 per cent fall in pre-tax profits for the six months to July 1.

Although the company had previously issued a profits warning, the eventual outcome of £77.7m was at the low end of expectations and contributed to a 21p fall to 267p in the share price.

The poor performance was primarily the result of a 26 per cent cutback in deliveries to British Telecom compared with the previous year. ICL, the computer subsidiary 60 per cent of which is being sold to Fujitsu of Japan, and the submarine cable business also fared less well than in

the comparable period of last year.

STC said that the results were "a setback", but said the second half performance would be much closer to that for the comparable period of 1989, although full year results were likely to be below those achieved last year.

Group turnover declined to £1.19bn (£1.27bn). Earnings per share fell 31 per cent to 9p, but the interim dividend is increased from 3.75p to 4p.

The computer division made operating profits of £58.4m on turnover of £63.1m, compared with profits of £63.1m on turnover of

£77.3m.

The communications systems division saw operating profits tumble by more than a half from £44.4m to £19.6m. Turnover declined from £322m to £246m.

The cutback in deliveries to BT, which still accounts for over half the group's telecommunications sales, was the main factor. However, the group's submarine cable business, which has been highly profitable in recent years, reached a low point partly because millions of pounds had to be spent on redesigning an important trans-Pacific cable.

STC expects matters to improve in the second half as

deliveries to BT pick up and the trans-Pacific cable is completed.

The group's components and distribution division reported operating profits of £12m compared with the previous year's £14.3m.

Interest charges contributed to the downturn, reflecting increased working capital levels in some of the group's businesses. Interest payments less investment income were £7.9m in the half year compared with receipts of £900,000 in the first six months of 1989.

The company also blamed movements in the exchange rate for £5m of the reduction in profits.

WASTE MANAGEMENT

The Financial Times proposes to publish this survey on:

26th September 1990

For a full editorial synopsis and advertisement details, please contact

Alison Barnard
on 071 873 4148

or write to her at:

Number One
Southwark Bridge
London
SE1 9HLFINANCIAL TIMES
LONDON (1) 873 4148Rustenburg Platinum
Holdings Limited Reg. No. 05/22452/06Lebowa Platinum
Mines Limited Reg. No. 63/06144/06

(Both companies incorporated in the Republic of South Africa)

Highlights from the Preliminary Reports
for the year ended 30 June 1990
(Audited)

Rustenburg Platinum	1990 Rm	1989 Rm
Gross sales revenue	2,943.5	2,931.5
Profit before taxation	1,225.4	1,440.5
Distributable profit for period	551.3	595.7
Ordinary dividends	388.5	376.0
Capital expenditure	313.2	239.4
Earnings per share (cents)	440.0	475.4
Dividends per share (cents)	310.0	300.0

Lebowa Platinum	1990 Rm	1989 Rm
Gross sales revenue	77.5	68.5
Profit before taxation	20.4	28.7
Distributable profit for period	18.6	23.7
Ordinary dividends	9.0	9.0
Capital expenditure	34.6	83.6
Earnings per share (cents)	15.5	19.7
Dividends per share (cents)	7.5	7.5

Final dividends have been declared payable by both companies to shareholders registered at the close of business on 17 August 1990. Date of payment of dividend warrants will be 15 September 1990. (Currency conversion date 28 August 1990.)

30 July 1990

The full text of the Preliminary Reports will be posted to shareholders and copies may be obtained from the London Secretaries, Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE.

RECORD
RESULTS

Profits of Securicor Group plc
up 69.5% to £30.925 million
for the half-year to March 31st, 1990

Profits of Security Services plc
up 61.2% to £22.547 million
for the same period

Current indications are that good progress
will be achieved in the second half-year

SECURICOR

- Mobile Communications (including Celinet*) •
- Express Parcels • Security Services •

Half-year Reports of Securicor Group plc and Security Services plc are available from The Company Secretary, Securicor Group plc, Sutton Park House, 15 Carshalton Road, Sutton, Surrey SM1 4LE.

*40% interest

UK COMPANY NEWS

Controlling family set to sell 57% stake in Bardon

By Jane Fuller

BARDON GROUP, the quarrying and building products concern which operates in the UK and the US, has been put up for sale by the Tom family, which controls 57 per cent of the ordinary shares.

The decision puts on the market one of the UK's very few "super quarries" - Bardon Hill, near Leicester, a 1,200-acre site with reserves of 500 tonnes with planning consent (270m total) and produces 2.8m tonnes a year. Analysts valued the site and its associated activities alone at between £150m and £170m.

This compares with a market value of £168m for the whole group, and that is after yesterday's 29p jump in the share price to 175p. The group moved to the main market in December 1988 at 168p per share and a one-for-eight rights issue last June was priced at 170p.

Bardon also announced yesterday that pre-tax profit had fallen to a third of the 1989 level in the first six months of this year. The taxable figure of £1.01m was made on sales down 19 per cent to £53.17m. Interest charges took £3.04m (£2.93m) of the £4.11m (£6.26m)

operating profit.

Mr Peter Tom, chairman and chief executive, said the US operation had made a loss because of the traditional four-month shut-down until mid-April.

An aggravating factor was a moratorium, imposed in November 1988, on Massachusetts state-funded projects. That had just been lifted and the group, which in April completed the £45m (£25m) purchase of Simeone in the same state, was bidding for new infrastructure contracts.

The UK part of the business had made about £3.6m pre-tax, similar to the previous year. Although gearing stood at 117 per cent, Mr Tom said the net assets figure of £63m did not include the value of mineral reserves at Bardon Hill. The bulk of the £72m borrowings are in the US.

Bardon was built up by Mr Tom's grandfather, who had been one of the founders of ARC, now a Hanson subsidiary. About 10 family members remain involved, of whom four are in their seventies.

Mr Tom, 50, said family control was an important factor in

getting the best value for shareholders. As this holding was likely to decline, it had been decided to put it up for sale. It was possible that he would buy the US half of the business.

Earnings per share, diluted by the rights issue, fell to 0.77p (2.58p). The interim dividend is being held at 0.98p.

COMMENT

The decision to realise the family holding has brought a scarce quarrying resource - and what one analyst described as "a lovely cash cow" - on to the market. Even before yesterday's rise in share price, the group was on a fancy prospective multiple of 25 (on a pre-tax profit forecast of £7m), but even this left a big gap between the worth of the assets and the market value.

Bardon's performance has been dragged down by the US side. Mr Tom, who has driven that investment since 1988, is interested in keeping this on and its long-term potential is good. Some would say he is selling the UK business at the top of the cycle and has bought into Massachusetts at the bottom.

Norcros shares dip on market warning

By Andrew Bolger

SHARES in Norcros closed 11p lower at 170p yesterday after the building materials, print and packaging, and property development group warned that it expected its market to deteriorate while interest rates remained high.

Mr Julian Sheffield, chairman, said: "The rapid and continuing downturn during the year in the UK building materials market and the slowdown in the sale of commercial property developments led to a very significant deterioration in our annual results."

"Our start in the residential sector have declined by over 30 per cent, and the commercial sector is now completing the 'building-out' of existing projects and has few new starts in the pipeline."

"On the property front, investing institutions are showing little or no interest in property investment, except at very distressed prices."

Norcros's pre-tax profits fell by 44 per cent to £37.3m in the year to end-March.

Citygrove chief resigns as interim loss is forecast

By Clare Pearson

Mr David Woolf has resigned as executive chairman and chief executive of Citygrove, the edge-of-town property development company which he founded nearly 20 years ago.

His resignation coincided yesterday with a warning from Citygrove that its results for the half-year to end-May would show a substantial loss. The shares dropped 7p to 18p on the announcement.

Mr Ernest Shearville, former managing director of the Ladbroke Group properties division who joined Citygrove last December, is to take over from Mr Woolf as chief executive.

Citygrove said its first-half results, due to be announced in September, would show a substantial loss reflecting trading losses and provisions against the value of the work in progress. It warned that trading continued to be very difficult in the second half.

Payment of the November instalment of the preference dividend was being kept under review, it added.

Mr David White, a non-executive director since 1987, is to take over as non-executive chairman. Mr Woolf, 45, remains on the board as a non-executive director.

Citygrove's shares have already plummeted from about 130p at the start of the year. The precipitous decline began after Citygrove missed the final dividend on its ordinary shares, even though it had lifted pre-tax profits from £1.65m to £2.67m in the year to end-November. It also followed a warning from Mr Woolf that trading had declined in the final quarter of the year.

Mr Woolf has granted, out of his personal shareholding, 750,000 options each to Mr Shearville and to Mr Geoffrey Almeida, the finance director who joined last autumn. They are exercisable at a nominal price at any time during the next three years. Mr Woolf is left with about 20 per cent of the shares.

Cellnet contribution helps Securicor to £31m

By Andrew Hill

PROFITS from the Cellnet mobile telephone network more than doubled in the six months to March 31, boosting the interim results of Securicor Group and its sister company Securicor Services by more than 60 per cent.

Securicor increased profits by 68 per cent to £30.9m before tax, against £18.3m in the equivalent period. The group owns 50.75 per cent of Securicor Services and the two companies have a 40 per cent stake in Cellnet. The balance of Cellnet is owned by British Telecom.

Services, results of which are taken in full in the Securicor accounts, reported a 61 per cent increase in profits to £22.5m (£14m) before tax.

The two companies' shares were hit in February, despite a 40 per cent rise in Securicor's full-year profits, because of the adverse effect of lower consumer spending on Services' security and parcels division.

But yesterday's figures dem-

onstrated that security and parcels had recovered in the first half, pushing profits ahead slightly to £10.6m (£10.2m). Securicor's ordinary shares were unchanged at 765p, in a weakening market, while the more numerous A shares gained 2p to 682p. Services' shares closed 4p higher at 547p.

Explaining the improved performance of the parcels division, Mr Chris Shircliffe, finance director of both companies, said that they had instituted a "think lean" campaign of cost cutting. "The parcels division suffers because it is an early indicator of the economic climate, but it also has the advantage in giving you an opportunity to do something about it."

The companies' share of profits on subscriptions and calls to the Cellnet network came to £19.8m (£7.3m) in the first half, but Securicor continued to lose money on the

retailing of Cellnet units. The communications division, which includes retail, lost £2.54m (£2.56m).

Securicor's turnover rose from £287m to £268m in the first half and earnings per share were 12.5p (7.6p). An interim dividend of 0.618p (0.44p) is declared. Services turnover was £236m (£204m), earnings were 12.3p (7.5p) and the interim dividend was 1.291p (0.922p).

Finance, investments and insurance contributed £2.51m to Securicor's profits, while hotels, vehicles and employment services made £255,000 (£1.01m).

COMMENT

If your core profits are going to be overshadowed by something, it might as well be the remarkable growth of a non-core business, but it still concerns Securicor's directors that the company and its sister should be valued primarily on

the basis of their stake in Cellnet, a business in which they are the minority partner. In that respect, the severe downgrading of the shares since February - sparked by disappointment in the parcels and security business - at least demonstrated that investors had not forgotten about the core operations. These figures were higher than expectations, but the first half ended before the recent slacker months in the retail sector, so there is still some caution in the City about the division's second-half performance. If Securicor makes £65m before tax in the full year, its A shares are on a prospective multiple of about 25. Services, assuming full-year profits of £47m, is on a p/e of 21. Bulls of the cellular telephone market might argue that the two companies still lag behind Rascal Telecom, their principal rival, but for the moment the share prices are probably about right.

Ashtead bucks trend with 42% advance

By Vanessa Houlder

ASHTHEAD GROUP, the USM-quoted plant hire company, yesterday bucked the trend in the construction sector by announcing a 42 per cent rise in pre-tax profits from £5.51m to £7.82m for the year to April 30.

Turnover increased by 32 per cent from £22.38m to £29.4m.

Mr Peter Lewis, chairman, said that the company had transcended the problems in the plant hire market - which has been hit by high interest rates and a slump in new building projects - as a result of its devolved management style and expansion in the north of the UK. The current year had started well, although prudence dictated a cautious approach to the final outcome, he said.

This year's result would be affected by first-time contributions from Subspec, a plant hire business for the oil industry, which was bought for an initial £1.2m in April and Sunbelt Equipment and Rental, a US plant hire business.

Mr Lewis said that both these industries would lend themselves to Ashtead's management style and profit share system. No further acquisitions were planned this year.

The group's operating margins increased to 30 per cent and debtors days reduced by 30 as a result of improving its management information systems. Capital expenditure exceeded £12m out



Peter Lewis (left), Ashtead chairman, and George Burnett, managing director

of a positive cash flow of £15m.

The company plans to move up from the USM to the main market in October.

Earnings per share increased by 23 per cent from 23.1p to 28.44p. A final dividend of 2.75p is recommended, making a total for the year of 3.75p (2.5p) - an increase of 50 per cent.

COMMENT

Results like these vindicate the plaudits that Ashtead has

earned in its three and a half years on the market. Its innovative management style, which devolves authority to individual depots, has helped it withstand the pressure on margins which has been inflicted in the south east. Moreover, Ashtead is benefiting from its expansion away from the south in the past couple of years, which has continued with its cautious moves into the US and the oil services sector. For

all that, Ashtead's resilience will be tested by another strenuous year and profits seem unlikely to move far ahead. Assuming pre-tax profits of £8m, the shares are on a p/e of 8, following a 5p rise in the share price to 245p. The shares seem fairly valued in the short term, although looking ahead Ashtead should be an early beneficiary from a revival in confidence in smaller companies.

Vishay promises increase if MMC clears Crystalate offer

By Jane Fuller

THE BATTLE for Crystalate Holdings, the UK electronic components company, took a new turn yesterday when a bidder ruled out by a reference to the Monopolies and Mergers Commission promised an increase if its bid were cleared.

Vishay Interotechnology, a US electronics components group which already has a trading relationship with Crystalate, said it would increase its cash offer from 90p to 93.5p if MMC clearance were gained. If a decision was not reached by November 1, it would consider adding more.

It also said it was confident that an accommodation could be reached with the MMC,

claiming that the area of overlap in the fixed resistor market only involved about £1m of turnover. On Friday, Crystalate said the combined group could have up to 30 per cent of the market concerned.

Before the reference, Crystalate had recommended acceptance of Vishay's offer.

However, the lapsing of Vishay's bid on Friday left just one player in the field: TT Group, the industrial holding concern which first made its hostile 7-for-10 all-share offer in March. Its full cash alternative is 85.5p per share.

By yesterday's deadline, it said it spoke for 35.24 per cent of the ordinary shares, including the 29.8 per cent that it

owned. The offers were declared final and extended until next Monday.

With TT's price falling 4p to 128p, its paper offer valued each Crystalate share at 88.6p, compared with a closing price of 86p. The total value of the ordinary all-share offer plus that for other forms of stock is about £35m.

TT said it did not share Vishay's optimism about the MMC deliberations and that the delay involved could lead to Crystalate shareholders not getting their money until next year.

Vishay had acceptances for 6.5 per cent of the equity before its bid lapsed.

Whitcroft makes agreed offer for Hitech

By Clare Pearson

WHITCROFT, the industrial holding company, is making an agreed offer for Hitech, a BES-funded lighting group where pre-tax profits plummeted last year from £1.05m to £174,362.

On the basis of yesterday's closing price for Whitcroft shares, the one-for-one paper offer values the whole of Hitech at about £3.9m and each share at 270p. Directors have provided acceptances in respect of 31.8 per cent of the equity.

Whitcroft already owns 25.2 per cent of the shares. It bought the stake recently from JMD, the USM-quoted greetings cards manufacturer and merchant of novelty products.

When Hitech originally raised funds under the Business Expansion Scheme in October 1988, the company was valued at £550,000.

Whitcroft has said its offer will be open until November. This is to enable Hitech's shareholders to dispose of their shares free of tax, as they may do under BES rules, provided they have held them for five

years. Hitech achieved sales of £6.2m (£6.3m) in the year to end-March. Turnover was below budget while expenditure was also substantially increased during the period in anticipation of a rise in sales that did not materialise.

Lighting was the fastest growing part of the Whitcroft group in the year to end-March, contributing operating profits of £6.24m (£4.29m) to a group total of £17.42m (£14.97m).

Mr Peter Gould, chief executive, said Hitech would add expertise in the architectural lighting market to Whitcroft's own commercial fluorescent lighting products. Hitech's products were increasingly being specified and installed in commercial buildings, he said.

JMD Group sold its stake in Hitech after last month reporting that its own pre-tax profits had declined from £1.61m to £200,718 in 1989. It said it had incurred a trading loss in the first four months of the current year, traditionally its weakest period.

Telfos calls for £13.85m to help cut borrowings

By Vanessa Houlder

TELFOS Holdings, the diversified engineering group, yesterday announced a £13.85m rights issue to strengthen its balance sheet and provide additional working capital.

The money will be used to reduce its net borrowings of £28m and to help it gear up for a substantial contract from British Rail to replace ageing stock on its suburban network.

In addition, its Hunslet Barclay subsidiary has record order books and the group is spending about £2.9m on building an extension to its Leeds factory and £2.5m on an extension to its factory in Kilmarlock.

The rights issue, which is on a 1-for-3 basis at 180p per share, has been underwritten by Fiske & Co. The shares fell 3p to 208p.

In addition, Telfos is planning to float 25 per cent of its increased share capital of its Telfos Holdings AG subsidiary, which manufactures rolling stock in central Europe, on the over-the-counter market in Vienna to raise about £4.7m.

Rothschild raises stake in J Rothschild Holdings

By Andrew Bolger

LORD ROTHSCHILD, his family and associates, have bought 25m ordinary shares in J Rothschild Holdings, the quoted investment company of which he is chairman, from Prudential Portfolio Managers.

Prudential sold the stake for 158p per share. JRH shares yesterday closed at 153p, up 5p.

Lord Rothschild and his family bought 25m shares in JRH, which will shortly be demerged, bringing his stake to between 13 and 14 per cent. Mr Nils Taube, a fellow director, bought 5m shares, bringing his stake up to 3 per cent.

Under the demerger plans revealed last month, JRH will spin off half its assets into a unit trust, and retain a smaller dealing and invest-

ment business, to be called St James Place Capital. Shareholders have passed the scheme, which now awaits court approval.

Lord Rothschild said at the time of unveiling the demerger plans that he would want to increase his stake in St James Place Capital, which will be a vehicle for his own distinctive and less conventional investment policies.

Greenfriar Trust

Greenfriar Investment Trust's net asset value per share, fully diluted, was 381.8p at June 30 (374.1p). Pre-tax revenue for half year was £527,743 (£244,101). Earnings were 3.31p (2.16p). Interim dividend is 2p (nil).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Ashtead	2.75	Oct 10	1.86	3.75	2.5
Bardon	0.98	Oct 2	0.98	4.5	3.81
Cooper Clarke	3	Oct 26	-	-	-
European Assets	0.04	Aug 30	0.04	-	0.14
Hokiers Tech	2	Sept 17	2	-	6
Harrold Wine	6	Oct 2	4.89	7	5.77
Medline	3	Sept 28	2.5	-	9.6
Securicor	0.618	Sept 28	0.44	-	1.58
Security Servs	1.291	Sept 28	0.922	-	2.914
STC	4	Oct 1	3.75	-	11
TR Trustees	1.9	Sept 28	1.8	3.4	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issues. †On capital increased by rights and/or acquisition issues. \$USM stock. ‡Dutch guilders. §Annualised dividend.

Nav improves at European Assets

The net asset value of European Assets Trust was £1.961 at June 30 1990 against £1.87 at the end of last year and £1.805 at end-June 1989. The trust - a Dutch invest-

ment company listed in London - reported unchanged earnings of £10.11 per share for the six month period and the interim dividend is maintained at £1.04.

This advertisement is issued in compliance with the requirements of the Council of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited. It does not constitute an offer or invitation to the public to subscribe for or to purchase any securities. Application has been made to the Council of the International Stock Exchange for all the Ordinary shares of £1 each in the Company to issue and the Warrants 1991/2000 of the Company to be issued to be admitted to the Official List. It is expected that dealings in such shares will re-commence on 3rd August, 1990 and that dealings in the Warrants 1991/2000 will commence on 7th August, 1990.

The Turkey Trust PLC

formerly

Colonnade Development Capital PLC

(Incorporated in England and Wales under the Companies Act 1948 to 1981—Registered No. 1788527)

Listing of

9,782,000 Ordinary shares of £1 each and 1,956,400 Warrants 1991/2000

Share Capital

Authorized £15,600,000 Issued and fully paid £9,782,000

Ordinary shares of £1 each

The principal business of the Company will be investment in quoted and unquoted Turkish securities

Listing Particulars relating to the Company are available in the statistical services of Exel Financial Limited.

Copies of the Listing Particulars may be obtained during normal business hours on the 31st July and 1st August, 1990 from the Company Announcements Office, The International Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD, and during normal business hours on any weekday (Saturdays and public holidays excepted) between 31st July, 1990 and 14th August, 1990 (both dates inclusive) from the registered office of the Company at 30 Finsbury Circus, London EC2M 7QJ and from:

S. G. Warburg Securities
1 Finsbury Avenue,
London EC2M 2PA

Sponsors to the Company and to the listing

31st July, 1990

Italian International Bank Plc

US\$60,000,000 Floating Rate Notes due 1991

Notice is hereby given that the notes will carry an interest rate of 8 3/4% per annum for the period 31 July, 1990 to 31 January, 1991. Coupon amount per US\$10,000 note will be US\$428.06

Agent: Morgan Guaranty Trust Company

JPMorgan

Den norske Bank

(Formerly Bergen Bank A/S)

Yen 3,000,000,000 Nilink-Linked Notes due 12th October 1992

(Notes) Notice is hereby given that as of 16th July, 1990 Dresdner Bank Limited Securities Limited is no longer the Calculation Agent for the above-mentioned issue. Holders of the Notes are hereby notified that the new Calculation Agent is:-

Banque Indosuez
1230, Avenue of the Americas
New York, NY 10020, USA.

GRANVILLE SPONSORED SECURITIES

High Low	Company	Price	Change	Gross Yield (%)	Yield (%)	P/E
343 273	Asst. Brit. Ind. Ordinary	276	42	10.3	3.7	7.4
38 19	Armstrong and Rhodes	26	0	-	-	-
210 135	Bardon Group (SE)	175	+30	4.3	2.5	17.0
125 94	Bardon Group Co. Pref (SE)	105	+8	6.7	6.4	11.6
123 70	Bray Technologies	71	0	4.7	6.4	11.6
110 82	Bentley Int. Co. Pref	82	0	11.0	13.4	-
318 285	CGI Group Ordinary	314	0	18.7	6.0	2.5
176 143	CGI Group 11% Conv. Pref	168	0	14.7	8.8	-
220 140	Carbo Pk (SE)	220	0	7.6	3.3	13.5
110 109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5 0.125	"Magnet" GP Non-Voting A Co.	0.125	0	-	-	-
7.5 0.125	"Magnet" GP Non-Voting B Co.	0.125	0	-	-	-
130 55	His Group	55	0	8.0	14.5	3.1
145 58	Jackson Group (SE)	113	+1	4.3	3.8	10.1
345 243	Multihouse NV (AersSE)	292	0	-	-	-
158 90	Robert Jenkins	133	0	11.0	8.4	3.9
467 320	Servotronics	325	0	20.0	6.2	9.0
178 106	Unistrut Europe Co. Pref	178	0	10.7	6.0	-
375 235	Veterinary Drug Co. PLC	241	0	22.0	9.1	6.4
356 278	W.S. Yates	295	0	16.2	4.2	32.1

Securities designated (SE) and (AersSE) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of the ISE. These securities are dealt in subject to a number of legal back. Neither Independent Companies Exchange Limited nor Granville Davies Limited are market makers in these securities.

* These securities are dealt on a restricted basis. Further details available

Independent Companies Exchange Limited
77 Mansell Street, London E1 8AF
Telephone 071-488 1212
Member of TSA

Granville Davies Limited
77 Mansell Street, London E1 8AF
Telephone 071-488 1212
Member of the ISE & TSA

Notice to the holders of the outstanding

AS 75,000,000 11% Guaranteed Convertible Subordinated Bonds due 1995

payable in U.S. dollars of

BELL GROUP N.V.

Unconditionally guaranteed by, with non-detachable conversion bonds issued by, and convertible into Ordinary Shares of A\$1.00 each of, The Bell Group Ltd.

Holders of the above Bonds are hereby notified in accordance with the terms of the Trust Deed constituting the above Bonds that the financial year end of Bell Group Ltd. has been changed from 30th June to 30th September, effective immediately. This change has been made in compliance with the requirements of the Companies (Western Australia) Code.

On behalf of Bell Group Ltd. July 1990

U.S. \$500,000,000

CITICORP

Subordinated Floating Rate Notes Due January 30, 1998

Notice is hereby given that the Rate of Interest has been fixed at 8.20% and that the interest payable on the relevant interest Payment Date August 31, 1990 against Coupon No. 53 in respect of US\$1,000 nominal of the Notes will be US\$70.61.

July 31, 1990, London
By: Citicorp, N.A. (CSI Dept.) Agent Bank

CITIBANK

UK COMPANY NEWS

Pension fund boost for Molins

By Andrew Hill

A REVIEW of Molins' pension fund surplus helped push up interim profits at the cigarette machinery manufacturer, which is fighting an attempt by Leucadia National Corporation to take control of the board.

In the six months to June 30, Molins made £7m before tax, against £5.3m in the equivalent period. The interim dividend is increased to 5p (2.5p), payable from earnings of 17.1p (13.4p) per share.

The UK group's actuaries last year valued the pension surplus at £58.4m, but now estimate it at £55m, following the better than expected performance of the funds since revaluation. The pension contribution in the interim profits increased to £1.5m (£1.4m).

Trading profits increased only 5.5 per cent to £6.6m (£6.3m), although margins were stronger, particularly in the tobacco machinery operation

where the return on sales rose from 7.5 per cent to 14.5 per cent. Group turnover slipped to £58.2m (£55.4m).

Leucadia, a US manufacturing and financial services company, narrowly failed to win a bid for Molins earlier this year and now owns nearly 47 per cent of the shares.

At a special shareholder meeting next week the US company will try to oust the group's three non-executive directors, including Mr Neil Clarke, chairman, and install six nominees.

In a letter to shareholders yesterday Mr Clarke described the implication that Leucadia had offered 300p per share for Molins as "false and misleading", and said the US group would be under no obligation to launch a bid for the outstanding shares if it gained board control.

Molins also announced yesterday that Mr Michael Wright,

who has been on the UK company's board for all three unsuccessful hostile bids over the last three years, was stepping down as managing director.

Mr Peter Greenwood, another Molins executive, is to take over as managing director from tomorrow Mr Wright leaving to pursue his academic career, joining Aston University as professor of mechanical engineering.

"I had always planned to spend half my career in industry and other half in academia," said Mr Wright yesterday.

COMMENT

Some analysts seem to think Leucadia's attempt to take over Molins' management has a grim inevitability about it, however vocal the directors' objections. If Leucadia is patient it can go on accumulating shares at 2 per cent a year

until it has control. Molins thinks such a gradual approach would not be in character for the US company. It also points out that the support of the 22 largest institutional investors in Molins would be enough to guarantee the group's precarious independence at next week's meeting. For those who are still undecided these interim figures add little to the over-rehearsed drama. Pension credits - criticised in all three of the hostile bids in the last three years - will be more than double the interim contribution in the full year, and should continue for at least 20 years; tobacco machinery profits should go on to show further benefits of the recently-developed new-generation products. But most investors are temporarily focusing on Molins' near future: if institutions waver next week, that may lie in the hands of the group's 500 small shareholders.

Managers buy out first FKB subsidiary

By Alice Rawsthorn

THE FIRST sale of a subsidiary from FKB, the marketing group which went into receivership last week, was completed yesterday when the management of Below the Line Projects agreed terms for a buy-out.

BLP is a sales promotion company based at Wimbledon, south London. Its managers have been trying to assemble a buy-out for several months. They had already begun discussions when FKB's shares were suspended in April.

Mr Stephen Morris, a director, said the managers had become concerned that BLP could be suffering commercially because of potential conflicts with the other sales promotion companies owned by FKB.

Yesterday morning the managers concluded negotiations for the buy-out with KPMG Peat Marwick McLintock, FKB's receivers. The deal has been funded by the managers themselves for an undisclosed amount.

FKB provided some of the start-up capital for BLP, when it was founded in 1984, but bought full control of the business three years ago. BLP, which is a profitable company with annualised billings of £4m, works for clients which include British Rail, Mars and Lever Brothers.

KPMG Peat Marwick McLintock is now in discussions over the potential sale of several other FKB subsidiaries. It said the prospective purchasers included management buy-out teams and external investors.

There are more than 40 subsidiaries within the FKB Group collectively employing about 1,000 people. The group went into receivership after its plans for a financial rescue package fell through. FKB experienced liquidity problems because of the heavy debts built up by a string of acquisitions in the late 1980s.

Sturge buys Donner Underwriting

By Jane Fuller

Sturge Holdings, the biggest Lloyd's underwriting agency group, is buying Donner Underwriting Holdings, which owns the largest independent Lloyd's members' agency.

The purchase, which is expected to be of between 85 and 100 per cent of the equity, follows the failure of management buy-out discussions at Donner Underwriting Agencies.

DUA has 530 names with allocated capacities of £275m, which will give the combined group a total of 3,150 names and a capacity of over £1.3bn.

The deal is expected to be completed by the end of September and no details of the price were available at this stage.

The deal is subject to the approval of Lloyd's.

Sturge, which made pre-tax profit of £31.2m in the year to September, when it had £33m cash, last month agreed to acquire Holmes, Hayday, the managing agency for Lloyd's non-marine syndicate 694.



Ashley Ashwood

MANAGERS and shareholders of BAA, formerly the British Airports Authority, were in a holiday mood yesterday at the company's annual meeting, writes Paul Abrahams.

Among the reasons for the festive air were the results which Sir Norman Payne (above), chairman, explained to some 1,200 shareholders at Grosvenor House in Park Lane, central London. BAA's profits rose by 29 per cent from £198m to £256m on turnover of £747m. The shareholders were also pleased by the share price which yesterday stood at 452p, compared with 385p in July last year.

Sir Norman and his colleagues on the podium

were grilling, however, by Mr Roger Gallier, a shareholder, as to why there were no women on the board of directors. Sir Norman said he was personally and consistently looking for a lady non-executive director and had not given up the hunt. But qualified candidates had very often already been snapped up by other companies.

When it was suggested that Mrs Margaret Thatcher would be a good candidate, Sir Norman said he was not sure the Prime Minister had sufficient time, but should be delighted to welcome her to the board, if and when she retired.

Atkins tumbles 22p as bid talks collapse

By Alice Rawsthorn

ATKINS BROTHERS, the Leicester-based textile company, yesterday saw its shares fall by 22p to 143p after it announced that it had abandoned takeover talks with a prospective bidder.

One of the main reasons for the failure of the takeover talk was the uncertainty surrounding Atkins' recent ill-fated attempt to buy back some of its shares.

The attempted buy-back has been declared void because Atkins breached the Companies Act in the transaction.

The beneficial owner of the shares, which represent 9.9 per cent of Atkins' equity - is Smith New Court, the securi-

ties house which acted as market maker to the deal. Smith New Court declined to comment on the situation.

Atkins bought the shares in February and March. It later realised that it had breached the Companies Act because there were insufficient distributable profits in its holding company to finance the deal.

However there were sufficient distributable profits within the Atkins group, Mr Bill Dawson, chairman, said Atkins was "taking top level advice to try to unscramble the whole mess".

Earlier this month Atkins was forced to postpone its

annual meeting because of the problem. Yesterday it filed its unaudited accounts for the year March 31.

Mr Dawson said the audited accounts would not be ready for filing until September or early October.

Atkins has also postponed the payment of its final dividend.

It will pay a second interim dividend of 8.4p - in lieu of the original proposed final dividend of the same amount - on August 6.

After the abandonment of the takeover talks Atkins, together with Brown Shipley, the merchant bank, is now exploring "alternative strate-

gies". Mr Dawson said the situation was "too delicate to elaborate on" but that Atkins was considering "a number of options".

Atkins is an old established member of the east Midlands knitting industry. It has interests in hosiery, leisurewear and underwear.

The group made pre-tax profits of £12.7m on turnover of £19.7m in the 1988-89 financial year.

Like the rest of the textile industry Atkins has suffered in the squeeze on the UK economy, but Mr Dawson said all its divisions were trading profitably.

Merrydown tops £2m with 27% advance

By Philip Rawsthorne

MERRYDOWN WINE, the USM-quoted cider, wine and health foods group, yesterday reported pre-tax profits some 27 per cent higher at £2.12m, against £1.67m, for the year ended March 31 1990.

Turnover, helped by last year's hot summer and record levels of industry advertising, increased by over 13 per cent, from £18.12m to £20.6m. Earnings per share rose nearly 19 per cent to 23.43p (19.71p).

Mr Roy Hooper, chairman, said the group had made "a good start" to the current year. Cider sales for the first three months were ahead, and in spite of the uncertain effects of continuing high interest rates on consumer spending, he was confident that progress would be maintained.

Benefits were beginning to show from the distribution agreement signed last year

with Showers, Allied-Lyons' cider and perry offshoot. "But we estimate that it will be at least two years before the full potential is realised," Mr Hooper added.

There had been an encouraging increase in sales of branded and bottled products in Europe. "The potential for building our business in Europe, and ultimately elsewhere, is considerable."

Capital expenditure this

year would total £1.3m for further expansion of fermentation capacity, replacement of computer systems and general refurbishment of plant.

At the year end, borrowings amounted to £1.2m compared with net assets of £7.4m.

A final dividend of 6p is proposed, bringing the total to 7p, a rise of 21 per cent on last year's adjusted 5.78p. As last year, a 1-for-5 scrip issue is also proposed.

Cooper Clarke ahead 19%

In its first year on the USM Cooper Clarke Group continued to make progress, with turnover increasing 34 per cent and pre-tax profit rising 19 per cent.

The group distributes building products.

Turnover in the year ended April 29 1990 came to £22.44m (£16.77m) and profit to £933,000 (£785,000). From earnings of 8.74p (8.52p) per share, the dividend is 4.5p, the proposed final being 3p.

Mr Robert Ashby, chairman, said the group had performed well in the supply of products to the building industry, in spite of difficult trading conditions.

The builders' merchants side had made progress and he saw opportunities to develop certain product ranges from within that sector.

Interim profit setback at Holders Technology

HOLDERS Technology, which serves the electronic and engineering industries, saw pre-tax profit fall from £285,000 to £175,000 in the half year ended May 31 1990.

In the UK the group improved market share but had to accept an erosion in margins because it was unable to recoup fully the higher costs

arising from the weakness of the pound against the dollar and the D-Mark.

The USM-quoted group imports and distributes high precision tools and specialised materials and equipment.

Turnover in the half year rose from £1.4m to £2.08m. Earnings fell to 3.67p (6.18p) but the interim dividend is held at 2p.

Parkfield video business for sale

The video rental and wholesale businesses of Parkfield Group, the collapsed mini-conglomerate, have been put up for sale by the administrators, writes David Owen.

The Haslemere-based group was put into administration a week ago with liabilities of about £275m.

Problems in the entertainment division, of which the video operations comprise a large part, have been widely blamed for its demise.

The businesses to be sold have a turnover of approximately £20m. Assets on the block include the Hollywood Nites retail trading identity.

Earlier this week, 80 staff were laid off from Parkfield's Southampton operation, a key element of the group's video distribution activities.

BOARD MEETINGS

The following companies have notified details of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official notices are not available at this time; the dividends are interim or final and the sub-dividend shown below are based mainly on last year's final dividend.

TODAY

Interim - Chrysler, Mount Charlotte Investments, National Westminster Bank, St. Modwen Properties, Whitgate Leisure.

Final - Lloyds, Prior, Sutherland, Union

Company	Future Dates
Barclays	Aug. 7
British Petroleum	Aug. 14
Planning Microfinance Inc	Aug. 14
Hayward Williams	Aug. 14
Rea Brothers	Aug. 14
Reed	Aug. 14
Richmond Wapenthorpe	Aug. 14
T & N	Aug. 14
Talbot	Aug. 14
Stables (Acker)	Aug. 8
Property Security Inc	Aug. 8

Investment

US\$100,000,000

Floating rate participation certificates due 1992

issued by Morgan Guaranty GmbH for the purpose of making a loan to

Istituto per lo Sviluppo Economico dell'Italia Meridionale

(a statutory body of the Republic of Italy incorporated under Law No. 258 of April 11, 1953)

In accordance with the terms and conditions of the Certificates, the rate of interest for the Interest Determination Period 31st July, 1990 to 31st August, 1990 has been fixed at 8 1/4%.

Interest accrued for the above period will amount to US\$70.83 per US\$100,000 note.

31st January, 1991 will amount to US\$69.97 per US\$100,000 Certificate.

Agent: Morgan Guaranty Trust Company

JPMorgan

Wells Fargo & Company

US\$150,000,000

Floating rate subordinated notes due 1992

In accordance with the provisions of the notes, notice is hereby given that for the interest period 31st July, 1990 to 31st August, 1990 the notes will carry an interest rate of 8 1/4% per annum. Interest payable on the relevant interest payment date 31 August, 1990 will amount to US\$70.83 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Wells Fargo & Company

US\$200,000,000

Floating rate subordinated notes due 2000

In accordance with the provisions of the notes, notice is hereby given that for the interest period 31st July, 1990 to 31st August, 1990 the notes will carry an interest rate of 8 1/4% per annum. Interest payable on the relevant interest payment date 31 August, 1990 will amount to US\$71.04 per US\$100,000 note and US\$65.21 per US\$50,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

USDOL 204,000,000

Floating Euro-dollar repackaged assets of the Republic of Italy due 1993

F.E.R.A.R.I.

In accordance with the provisions of the notes, notice is hereby given that for the interest period 31st July, 1990 to 31st August, 1990 the notes will carry an interest rate of 8 1/4% per annum.

Interest payable on the relevant interest payment date 31 October, 1990 will amount to USD 2,060.42 per USD 100,000 note.

Agent Bank: Banque Paribas Luxembourg

NIPPON STEEL INTERNATIONAL FINANCE PLC

US\$12,000,000

Floating Rate Notes 1992

Interest Period: 30th July, 1990 to 30th September, 1990

Interest Rate: 8.5575% per annum

Interest Payment due 30th September, 1990 per US\$100,000 Note US\$7,448.26

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NATIONAL BANK HUNGARY

U.S.\$100,000,000

Floating Rate Notes due 2000

Pursuant to Note conditions, notice is hereby given that for the interest period 31st July, 1990 to 31st January, 1991 (184 days), the following interest rates will apply:

15 YEAR ORIGINAL NOTES (Coupon No 12)

Rate per annum: 8 1/4%

Amount per coupon: US\$447.22

Payable on: 31st January, 1991

3 YEAR CONVERTED NOTES (Coupon Nos. Varied)

Rate per annum: 8 1/4%

Amount per coupon: US\$428.06

Payable on: 31st January, 1991

Reference Agent

UTCB

THE LONG-TERM CREDIT BANK OF JAPAN, LTD. London Branch

CHASE MANHATTAN OVERSEAS BANKING CORPORATION

US\$150,000,000

Floating rate notes due 1993

For the six months 31st July, 1990 to 31st January, 1991, in accordance with the provisions of the notes, notice is hereby given that the rate of interest has been fixed at 8 1/4% and that the interest payable on the relevant interest payment date, 31 January, 1991 against Coupon No. 25 will be US\$42.17.

Agent: Morgan Guaranty Trust Company

JPMorgan

HUNGARY

The Financial Times proposes to publish a Survey on the above on

SEPTEMBER 5th 1990

For a full editorial synopsis and advertisement details, please contact:

Patricia Sarridge

on 071-873 3426 or write to her at:

Number One, Southwark Bridge London SE1 9HL

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HOW WELL DID YOU JUDGE THE MARKET?

A/S JYSKE BANK

US\$ 40,000,000 Floating Rate Notes due 1994

In our capacity as reference agent for the above mentioned issue we are pleased to inform you of the following:

- average of the six months eurodollar rate: 8 1/4%

Therefore the rate applicable for the fourth interest determination period is 8 1/4% and the amount of interest for the relevant period ending August 31, 1990:

- for bonds in denominations of US\$ 10,000: US\$ 69.97

- for bonds in denominations of US\$ 250,000: US\$ 1,749.13

BANQUE NATIONALE DE PARIS

USD 100 MILLIONS

9% SERIAL A NOTES

DUE 1990

AND 100,000 WARRANTS TO SUBSCRIBE

USD 100 MILLIONS

9% SERIAL B NOTES

DUE 1990

NOTICE OF PARTIAL REDEMPTION

Notice is hereby given that pursuant to the Fiscal Agency Agreement dated December 19th 1985 between BNP PARIBAS and BNP (LUXEMBOURG) S.A. the following Notes Series A in the principal amount of USD 11,200,000, - have been drawn by lot and are due for redemption at 100% plus accrued interest at the offices of the Paying Agents on August 17th, 1990

5782 to 11841 included

The Fiscal Agent

BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.

National Australia Bank Limited

US\$100,000,000

Floating Rate Notes due 1997

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 8 1/4% per cent for the period 31st July, 1990 to 31st January, 1991.

Interest payable on 31st January, 1991 per US\$100,000 Note will be US\$42.86.

Agent: Morgan Guaranty Trust Company

JPMorgan

COMMODITIES AND AGRICULTURE

US producers warn of refined copper shortfall

By Kenneth Gooding, Mining Correspondent

WARNINGS THAT the western world will suffer a supply shortfall of at least 500,000 tonnes of refined copper this year have been issued by two big US producers, Asarco and Phelps Dodge.

The copper market was in surplus - but only by a small margin - last year for the first time since 1984 and analysts began this year forecasting another surplus in 1990.

However Asarco said it expected western world refined copper production this year to reach 9.2m tonnes while consumption would be 9.5m tonnes. Imports from eastern Europe should cut the deficit to 500,000 tonnes.

Mr Robert Bothwell, vice president of sales, said scrap stockpiles were exhausted and stocks of new refined metal were down to about a three-week supply.

Supply disruptions were holding back production, he pointed out, while consumption was being driven by demand from Asia. Asarco expects Asian demand for copper to grow at an annual 9.5 per cent in the years to 1992.

Asarco, like the rest of the industry, has been trying to analyse what the changes in eastern Europe might mean to copper. "We believe that copper consumption could grow by an additional 1m tonnes in

eastern Europe in the next five years," said Mr Bothwell.

"In summary, the copper market will experience excellent demand and tight supplies for the balance of this year and into the 1990s."

Phelps Dodge, the biggest US copper producer, broadly confirmed the Asarco estimates and said it expected a 500,000 tonnes supply deficit this year. The market would remain tight even though the huge Escondido mine in Chile was due to come into production at the end of 1990.

Mr Bolander, the mining and metals subsidiary of Trebilcock of Sweden, says it will not take legal action in a dispute with the London Metal Exchange which dates back to December, 1989.

The LME, worried about potential upheavals because of tightness of supplies in the zinc market, imposed a limit on the premium to borrow cash zinc for a day, a move which also allowed sellers to pay a penalty of only \$20 a day if they were unable to deliver physical metal.

Bolander received only about 75 per cent of the zinc he had bought for delivery by the end of December, which it required to obtain maximum Swedish corporation tax benefits. It subsequently threatened to sue the LME.

Norway forecast to boost crude output

NORWAY, western Europe's second biggest oil producer, behind Britain, and its third biggest gas producer, is poised to see a dramatic rise in crude oil production to 1.5m barrels a day by the fourth quarter of this year from a yearly average of 1.7m barrels a day, according to a report by company NatWest Wood Mackenzie, the Edinburgh-based analyst, writes Karen Fossli.

The recovery, says CNWIM, will result from improved performance from the Gullfaks and Veslefrikk fields, higher-than-expected production from the Statfjord and Oseberg fields, new fields coming on stream and the lifting of a self-imposed production curb for the second half of 1990.

According to CNWIM crude oil output in the first half of this year averaged 1.67m barrels a day. For the third quarter production will fall to 1.5m barrels a day because of maintenance work and planned shutdowns and the offshore oil workers' strike in July.

Norway's crude oil production in 1990 was about 526,000 barrels a day. It climbed to 1.2m barrels a day by 1988 and further to 1.54m barrels a day in 1989, a rise of 28 per cent.

For 1990, production will rise by 10 per cent to 1.7m barrels a day, CNWIM forecasts.

Norway's Oil and Energy Ministry, in an in-house study, forecast that Norway's production would peak in the mid-1990s at 2.3m barrels a day.

North Sea licence swap shop attracts BP

Karen Fossli on the quickening trend towards the rationalisation of oil assets

BP NORWAY, the Norwegian unit of British Petroleum, has launched an aggressive, exploration-led growth strategy in a bid to safeguard its future sector after production declines at its two existing oil fields - Ula and Gdya.

BP is not alone in seeking to secure its future position by becoming "lean and mean". Last month for example, Norske Shell, the Norwegian subsidiary of Anglo-Dutch Shell, took the oil industry by surprise with the announcement that it was willing to sell, or preferably to swap, 11 of its 25 licences.

The trend towards rationalisation of assets among North Sea operators has quickened sharply in recent years. The well was set rolling in the Norwegian sector two years ago when Statoil, the Norwegian state oil company, sold several of its interests in acreage and transportation facilities.

Adding value to core assets of oil companies' portfolios through rationalisation at the wellhead has become acceptable to authorities after 25 years of oil and gas exploration.

It has even been suggested that the outcome of Norway's 13th licensing round will serve also to rationalise the number of oil companies in Norway.

According to Mr John Hollis, general manager, his regional operating centre is in concert with its focus on exploration-led growth, which includes portfolio rationalisation or repositioning. It is also adopting a more targeted emphasis on core interests where the

company believes there exists a significant number of satellite oil accumulations that can be tied into the existing infrastructure in a cost-effective way.

"We are at a strategic crossroad which has forced us to find cash flow substitutes, for there is nothing on our books which can replace our existing oil fields," Mr Hollis admits.

The company aims to participate in at least eight exploration wells a year for the next three years at a cost of about Nkr8bn (248m) and will seek to dispose of around 10 of its 21 Norwegian licences.

"There are certain licences where you drill the wells for which you have made commitments but have reached a stage where you haven't found anything which you consider interesting. This usually comes at a time when your licence fees are going up, but never going down, so you come under pressure after a number of years to make progressive relinquishments," Mr Hollis explains.

BP has invited eight companies to bid for a 4.9 per cent stake in the Brage oil field, operated by Norsk Hydro, or to swap for it something that fits better with the core-assets of the BP portfolio.

The Nkr8.4bn Brage field has 36m cu m of oil and 2.5bn cu m of gas and is under development. It is expected to come on stream in 1994 at a rate of 80,000 barrels a day.

The 9bn cu m Hild gas field, in which BP has a 50 per cent stake, is also to be disposed of and a swap has been suggested



Mr John Hollis: Concentrating on exploration growth

for an 8.333 per cent stake held by the Norwegian unit of Total, the French oil company, in block 1/3 which is situated near BP's two producing oil fields. A swap, if agreed, would give BP a discovery near core assets and would boost Total's stake in Hild to 64.4 per cent, spread over four blocks.

Norway's prospectiveness is ranked by BP second only to Canada and the company believes there is "yet to find" scope of 6bn to 7m barrels of oil and 13 trillion cu m of gas.

This prospectiveness is illustrated by the fact that in the UK North Sea the drilling of some 300 wells discovered only about 22m barrels of oil, while in the Norwegian sector 300 wells discovered 14bn barrels of oil.

Although BP has been in Norway for 16 years its image was tarnished in 1985 when the

Norwegian Government alleged that it had influenced the British Government's decision to veto a \$30bn agreement between Statoil and British Gas for gas supply from the Norwegian Sleipner field.

"Sleipner is behind us," Mr Hollis declares, "but there has always been a view in [Norwegian] government circles that we're an extension of the Foreign Office... that we're somehow or another in the pocket of the British Government... But we've gone through great pains this year to make clear that we are BP... that we have a multinational, international culture... and that we're not the umbrella-carrying types that BP was perceived to be a few years ago."

After a slow start in confirming the economic viability of developing the Ula field, which came on stream in October 1986, BP has upgraded Ula's reserves from 160m barrels in 1986 to 430m barrels.

Already some 120m barrels of oil have been produced and the company believes there is scope to produce more on a sustained basis by installing two high pressure water injection pumps to optimise recovery. BP hopes to gain approval in September to raise production to 105,000-110,000 stock tank barrels a day from the current level of 94,000 b/d.

In the nearby 200m barrel Gdya field, production commenced last month at a rate of 45,000 barrels a day with a peak rate aimed at 60,000 barrels a day in August. Later this

year a new well will be drilled in a southern extension of the field and there may be scope to sustain peak production till the turn of the century if satellite prospects can be proven.

Near each of these fields BP believes there exist three or four satellite accumulations that could be tied economically into existing facilities.

In the relatively new Haltenbank province off the coast of mid-Norway BP has a 14 per cent stake in the Nkr10bn Drangen oil field, which is to come on stream in 1993. Although BP does not operate Drangen it believes there is satellite oil accumulation potential on neighbouring blocks where it also participates and is seeking to encourage partners to step up exploration activity there.

All told there are at least six blocks where BP is confident about the potential to find significant amounts of oil and gas, which it will have to do in order to sustain production operations into the next century.

In Norway's 12th licensing round BP scored big: it was awarded five licences and two operatorships. It has mounted an aggressive campaign for the 13th round and says it will be disappointed if the results, which are to be announced next spring, do not at least match the number of awards and operatorships it gained from the 12th round.

If BP fails to score well in the 13th round the life of the company in Norway could be measured by the production life of its Ula and Gdya fields.

Smaller suppliers to lead gold growth

By Kenneth Gooding

BOTSWANA and Mozambique are the countries expected to show the fastest percentage growth in gold mine output in the five years to 1993. Sharp rises are also expected in Indonesia, Mexico, Ghana, Papua New Guinea - and even France.

This prediction comes from the Washington-based Gold Institute, an international trade association, which has collated the projections of 206 mining entities in the 37 countries that are mining, or are expected to mine - gold during the years to 1993.

Apart from Papua New Guinea, which already is the eighth-largest gold producer and is expected to see a rise of 65 per cent in output from 1.085m to 1.79m troy ounces in 1993, rapid growth in the other countries is from a relatively low base.

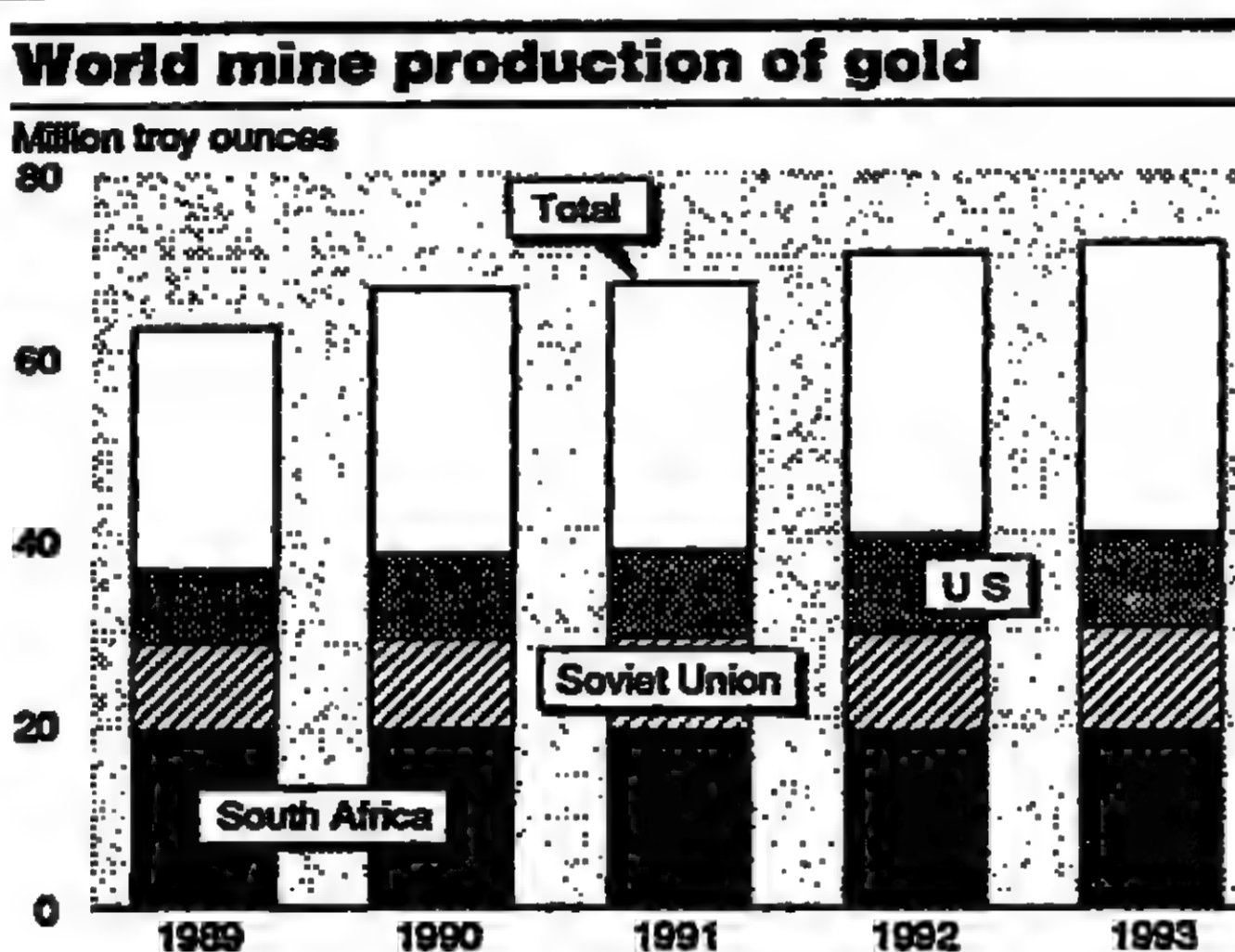
Mozambique, for example, is not expected to mine any gold

until this year, when 10,000 ounces should be produced, rising to 39,000 ounces in 1993. Botswana's 1,000 per cent rise is from 2,000 ounces last year to 22,000 ounces in 1993.

Indonesia's output is predicted to increase from 145,000 ounces to 566,000 over the five-year period; Mexico's from 280,000 ounces to 449,000, and Ghana's from 411,000 ounces to 717,000, while France's is forecast to move up from 88,000 ounces to 115,000.

Total output from the world's gold mines is expected by the producers to rise by 15.5 per cent in the five years up to and including 1993, from 62.372m ounces last year to 72,094m ounces.

South Africa, the biggest producer, is predicted to have output virtually unchanged by 1993, at 19,456m ounces compared with 19,456m last year. Its share of world production would therefore fall from 31.3



per cent to 27 per cent.

The Soviet Union, the second-largest producer, is forecast to experience only a marginal decline in share - from 14.9 to 14.6 per cent - as its gold output rises by 13 per cent from an estimated 9.2m ounces to 10.5m.

A 35 per cent rise in gold production in China is forecast, taking the total from 2.8m ounces to 3.8m in 1993.

Over the five years, continued strong production rises from the US, Australia and Canada are expected. US output is predicted to climb by 27.5 per cent from 8.33m ounces to 10.627m; Australia's by 22 per cent from 5.539m ounces to 6.748m and Canada's from 5.049m ounces to 6.491m.

World Mine Production of Gold 1989-1993. US\$288 from the Gold Institute, 1026 Sixteenth Street, Suite 101, Washington DC 20036, USA.

Intervention possible as rubber price falls

By Lim Siong Hoon in Kuala Lumpur

THE rubber market, where prices have been on a downward march since early July, is again nearing the point of testing the resolve of the International Natural Rubber Organisation (INRO) to support it.

The swift decline seems to have been widely expected, and by Inro in particular. It had been anticipating that the market would respond "psychologically" in following the cut, one official there said. Moreover, tyre sales are still slow and rubber stocks high.

Prices began weakening just seven months ahead of the scheduled July revision of Inro's support levels. To set

those new levels, Inro's rules require that it uses the preceding six-month average market prices. Another revision, the third under the second International Natural Rubber Agreement (INRA II), must wait 15 months until at least September 1991.

Despite this long lag, there is optimism at Inro that intervention may be unnecessary and that the decline in the market is simply a short-run event. Though Inro II provides for a stockpile capacity of 550,000 tonnes, the buffer stock manager is today, unlike in the days of Inro I, a reluctant player in the market.

Mr Adolf Hofmeister, the buffer stock manager, who has so far bought about 32,000 tonnes, has said his role is that of a "moderator" between producers and consumers and not of an international buyer subsidising excess supply. Mr Hofmeister has a current budget of M\$200m (\$74m) - M\$70m from initial contributions and M\$130m called up at the last Inro council meeting. A sub-

stantial portion of the budget has been used up for the stockpile. Thailand's first quarter output stood at 380,000 tonnes, overtaking Malaysia, the world's largest producer which produces 315,000 tonnes, according to Inro statistics.

Ranked third after Indonesia, Thailand's output has risen 63 per cent since 1985. Last year it rose by 21 per cent compared with 2 per cent in world production. Malaysia's output at 1.42m tonnes last year was one of its lowest in more than a decade.

It has forecast an improvement this year by 5 per cent or more. But indications so far have revealed otherwise. Its January to May production has been slow at 47,000 tonnes. It is nearly 14 per cent below the 549,000 tonnes in the comparable period last year, according to official Malaysian statistics.

Inro's latest figures showed that production, at 3.86m tonnes, among the three South-East Asian countries accounted for 75 per cent of world total last year compared

with 80 per cent a decade ago. With the inclusion of Sri Lanka as its fifth member, Inro's producer members now account for 4.07m tonnes, or 79 per cent of the world output.

Their respective production, in tonnes, (1988 in parentheses) are: Malaysia 1.42m (1.60m), Indonesia 1.26m (1.36m), Thailand 1.18m (975,000), Nigeria 99,000, and Sri Lanka 110,000.

Thailand rubber exports rose to about 580,000 tonnes during January-June from 550,917 tonnes a year ago but depressed prices cut export revenue to 11.9 bn baht (\$24m) from 14.1bn, the Bank of Thailand said, reports Reuters from Bangkok.

The central bank said rubber export prices averaged 29,431 baht a tonne during the first six months against 25,303 baht a year ago.

Thai Farmers Bank said Thailand was expected to produce 1.2m tonnes of rubber this calendar year against 1.07m tonnes in 1989. Exports are projected to rise to 1.13m tonnes from 1.11m in 1989.

MARKET REPORT

West German trade selling and chart-based speculative liquidation forced zinc prices down to the lowest level since the beginning of March on the London Metal Exchange yesterday. News that the Minero Peru strike was over affected sentiment as the cash position fell \$5 to \$1,507.50 a tonne. Traders pointed out that the Minero Peru settlement, following the outbreak of industrial strikes at Cominco's Trail smelter in British Columbia last week, meant that the only continuing output disruption affecting the zinc market was the one at Noranda's Bathurst mine in New Brunswick, where the supply impact was

minimised by the company having stockpiled concentrates. The copper market was also depressed by the Minero Peru news and cash metal ended \$23.50 down at \$1,544 a tonne. Earlier it had been driven to a nine-month high by Far Eastern buying, despite the recent big rise in LME warehouse stocks. Far Eastern demand also affected the aluminium market, where it triggered a chart break-out that led to further sizeable gains. The cash position closed at an eight-month high of \$1,728.50 a tonne, adding \$56.50 to last week's \$116 advance.

London Markets

SPOT MARKETS	
Gold (per troy ounce)	+0.05
Dubai (per barrel FOB)	-0.25
Brent Blend (per barrel FOB)	-0.25
WTI (per barrel FOB)	-0.25
OIL PRODUCTS	
Premium Gasoline	-0.01
Gas Oil	-0.01
Heavy Fuel Oil	-0.01
Naptha	-0.01
Paraffin Argus Estimate	-0.01
Other	
Gold (per troy ounce)	-0.75
Silver (per troy ounce)	+1.00
Platinum (per troy ounce)	+0.25
Palladium (per troy ounce)	-0.05
Metals (per tonne)	
Aluminium (free market)	+7.00
Copper (US Producer)	+0.05
Lead (US Producer)	+0.05
Nickel (free market)	+0.05
Tin (Kuala Lumpur market)	+0.05
Tin (New York)	+0.05
Zinc (US Prime Western)	+0.05
Livestock (per head)	
Cattle (live weight)	-0.01
Sheep (live weight)	-0.01
Pigs (live weight)	-0.01
Grains (per bushel)	
London daily sugar (white)	+0.04
London daily sugar (raw)	+0.04
Yate and India export price	-0.04
Barley (English best)	
Barley (English best)	+0.04
Maize (US No. 3 yellow)	+0.04
Wheat (US Dark Northern)	+0.04
Rubber (per tonne)	
Rubber (RSS No 1)	-0.05
Rubber (RSS No 2)	-0.05
Rubber (RSS No 3)	-0.05
Cocoa (per tonne)	
Cocoa (Philippines)	-0.05
Cocoa (Malaysia)	-0.05
Cocoa (Philippines)	-0.05
Cocoa (US)	-0.05
Cocoa (A) (Super)	-0.05
Cocoa (B) (Super)	-0.05

SUGAR - London POKE (\$ per tonne)			
Base	Close	Previous	High/Low
Aug	235.00	237.40	235.00-237.40
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
Cocoa - London POKE (\$ per tonne)			
Base	Close	Previous	High/Low
Aug	235.00	237.40	235.00-237.40
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00

COFFEE - London POKE (\$ per tonne)			
Base	Close	Previous	High/Low
Aug	235.00	237.40	235.00-237.40
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
SOYABEAN MEAL - London POKE (\$ per tonne)			
Base	Close	Previous	High/Low
Aug	235.00	237.40	235.00-237.40
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00

LONDON METAL EXCHANGE (Prices supplied by Associated Metal Traders)			
Close	Previous	High/Low	AM Official
Aluminium, 99.7% purity (\$ per tonne)	1725-7	1725-7	1725-7
Cash	1725-7	1725-7	1725-7
3 months	1725-7	1725-7	1725-7
Copper, Grade A (\$ per tonne)	1725-7	1725-7	1725-7
Cash	1725-7	1725-7	1725-7
3 months	1725-7	1725-7	1725-7
Lead (\$ per tonne)	1725-7	1725-7	1725-7
Cash	1725-7	1725-7	1725-7
3 months	1725-7	1725-7	1725-7
Nickel (\$ per tonne)	1725-7	1725-7	1725-7
Cash	1725-7	1725-7	1725-7
3 months	1725-7	1725-7	1725-7
Platinum (\$ per tonne)	1725-7	1725-7	1725-7
Cash	1725-7	1725-7	1725-7
3 months	1725-7	1725-7	1725-7
Silver (\$ per tonne)	1725-7	1725-7	1725-7
Cash	1725-7	1725-7	1725-7
3 months	1725-7	1725-7	1725-7
Zinc, Special High Grade (\$ per tonne)	1725-7	1725-7	1725-7
Cash	1725-7	1725-7	1725-7
3 months	1725-7	1725-7	1725-7
LME closing US dollar rate	1725-7	1725-7	1725-7
SPOT 1.5421	1725-7	1725-7	1725-7
3 months: 1.5421	1725-7	1725-7	1725-7
6 months: 1.5421	1725-7	1725-7	1725-7
9 months: 1.5421	1725-7	1725-7	1725-7

LONDON BULLION MARKET			
Close	Previous	High/Low	US \$ equivalent
Gold (fine oz) \$ price	385.00	385.00	385.00
Cash	385.00	385.00	385.00
3 months	385.00	385.00	385.00
6 months	385.00	385.00	385.00
9 months	385.00	385.00	385.00
12 months	385.00	385.00	385.00
New York			
Close	Previous	High/Low	US \$ equivalent
Gold 100 troy oz \$/troy oz	385.00	385.00	385.00
Cash	385.00	385.00	385.00
3 months	385.00	385.00	385.00
6 months	385.00	385.00	385.00
9 months	385.00	385.00	385.00
12 months	385.00	385.00	385.00
PLATINUM 50 troy oz \$/troy oz			
Close	Previous	High/Low	US \$ equivalent
Aug	235.00	237.40	235.00-237.40
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235.00-235.00
May	235.00	235.00	235.00-235.00
Oct	235.00	235.00	235.00-235.00
Dec	235.00	235.00	235.00-235.00
Mar	235.00	235.00	235

LONDON STOCK EXCHANGE

Equities slide in thin trading volume

THE DRAB investment background continued to bear down on the UK stock market yesterday, inspiring another poor performance from the blue chip stocks. Weakness in Tokyo and New York equities and the continued rise in sterling depressed the international stocks in a session featured by one of the lowest levels of daily trading volume on record.

The lack of institutional trading interest was reflected in fresh evidence of tightening strains in the Inter Dealer Broker (IDB) market, where one of the four traders cut commission rates on leading stocks to only 0.05 per cent. IDB firms,

Account Dealing Dates		
First Dealing	Aug 8	Aug 30
Second Dealing	Aug 16	Sep 5
Third Dealing	Aug 23	Sep 12
Fourth Dealing	Aug 30	Sep 19

*Three-day dealings may take place from 8.30 am but business days earlier

which deal only with the marketmakers in the securities market, have come under increasing pressure from these clients to cut their commission charges.

Equity turnover through the SEAG electronic system totalled only 341.7m shares, against a similarly disappointing figure

of 344.7m on Friday. Detailed statistics from the International Stock Exchange show that daily equity volume has not reached the 500m mark regarded as the minimum for a healthy market for nearly two weeks.

Yesterday's turnover was even more dismal than appeared because the trading volume total was swollen by activity in a few individual stocks: a 9m block of Maxwell Communications shares crossed the screens at mid-morning, and STC, the electronics group, traded 11m shares following the interim results and confirmation that Fujitsu is acquiring ICL, the

mainframe computer subsidiary of STC; another large deal, the sale by Prudential Assurance of its 9.8 per cent stake in J. Rothschild to Rothschild interests, was disclosed yesterday but had been completed on Friday.

Outside these specific areas, it was an unexciting day. Equities opened lower and soon showed a near 19 point loss on the FT-SE scale as London traders slid away from new setbacks on Wall Street and in Tokyo as well as the persistent rise in the pound.

Share prices then steadied while UK traders waited for the session. Late afternoon saw

London following Wall Street almost slavishly, extending its loss when the Dow opened 20 points off, rallying as the Dow rallied and then losing heart as New York turned down again.

The final reading put the FT-SE index at 2,316.5, with a loss of 13.6 on the day. Despite some nervousness among equity strategists as the market slides towards FT-SE 2,300, many continue to recommend clients to buy equities on their current weakness. At Nomura Research Institute, Mr Nicholas Knight, a notable bull of the UK equity market, headed a note to clients: "Knee-jerk reaction to US weakness offers Golden Opportunity."

FINANCIAL TIMES STOCK INDICES									
	July 30	July 27	July 26	July 25	July 24	Year Ago	High	Low	Since Completion
Government Secs	79.78	79.71	79.07	78.99	79.53	87.32	84.20	74.13	45.18
Fixed Interest	58.21	58.28	58.08	58.08	58.08	57.43	62.81	50.54	50.53
Ordinary Share	1628.1	1642.1	1651.5	1665.7	1680.7	1912.1	1968.3	1653.6	2008.6
Gold Mines	189.5	187.1	188.9	188.2	184.7	187.5	278.5	167.2	254.7
FT-SE 100 Share	2116.5	2230.1	2244.1	2284.7	2300.9	2287.0	2463.7	2103.4	2463.7
Ord. Div. Yield	5.07	5.06	5.04	4.99	4.97	4.28	5.00	4.75	4.75
Earning Yield (p/ft)	11.02	11.03	10.97	10.92	10.85	9.58	12.04	10.75	10.75
P/E Ratio (ft/ft)	11.02	11.04	11.06	11.04	11.07	12.04	11.07	10.75	10.75
SEAG Bargain 4.40pm	19,208	18,989	20,434	21,758	21,391	30,623	21,391	21,391	21,391
Equity Turnover (m)	341.7	344.7	344.7	344.7	344.7	344.7	344.7	344.7	344.7
Equity Bargain (m)	294.0	294.0	294.0	294.0	294.0	294.0	294.0	294.0	294.0
Ordinary Share Index, Hourly changes	Day's High 1683.7	Day's Low 1631.0							
FT-SE, Hourly changes	Day's High 2322.4	Day's Low 2311.5							

SE Activity 1974, including intra-market business & Overseas turnover.
London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS									
Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Admiral	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Admiral	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Admiral	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Admiral	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Admiral	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Admiral	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Admiral	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Admiral	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Admiral	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Admiral	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200

Based on trading volume for most Alpha securities dealt through the SEAG system yesterday until 4.30pm.

Mixed views on STC news

CONFIRMATION that STC is selling 80 per cent of its ICL computer operation to Fujitsu did nothing to steady the stock. Traders concentrated initially on the company's interim profits, which fell down at £77.7m, and the shares fell quickly.

In addition, analysts were unimpressed with the annual meeting, with Mr Brian Newman of Henderson Crosthwaite saying that the key point was that the £50m profit from ICL's best month of December 1989 would not be consolidated into STC's figures. He said that STC would only make around £10m in earned interest from ICL's £700m price tag.

That was echoed by other analysts' views that forecasts for current year profits, mostly in the £240m to £245m range, would be cut to less than £200m.

Analysts conceded that it was difficult to give investors unequivocal advice. They said that while figures from the company were not going to be good, there remained the possibility of a bid for the rump of STC, with Alcatel of France remaining researchers' favoured predator.

STC lost 21 to 267p, the day's lowest level. Turnover was 11m shares.

The effect of comments made recently by Mr Peter Lilley, the new Trade and Indus-

try Secretary, that the UK intends to take a harder position against foreign state-controlled companies making acquisitions in the UK continued to depress Enterprise Oil.

Enterprise had been lifted by hopes of a bid from Elf, the French oil company, in which the French Government has a majority holding. Elf has a near 25 per cent stake in Enterprise, but a press report yesterday suggested that Elf may now turn its attention to Lamo.

Most analysts were doubtful of the suggestions, with some believing that a bid in some form by Elf for Enterprise remained a possibility. However, talk that ICI could liquidate its near 25 per cent stake in Enterprise would continue to depress the share price.

Enterprise closed 14 lower at 647p, while Lamo was a penny better at 441p.

Clearing banks
Clearing banks jockeyed for position ahead of a series of half-time results due this week. NatWest, reporting today, lost 6 to 325p, Midland, with interest on Thursday, eased 2 to 282p, and Barclays, with interest on Friday, retreated 8 to 388p.

Abbey National, with

interim figures expected tomorrow, fell 6 1/2 to 214p. UBS Phillips & Drew said yesterday that Abbey's interest margin might be shown to be contracting in those figures. Traders also said that a Monday press story that defaults on repayments were increasing had hurt the stock.

Six blocks of 9m shares each in J. Rothschild were recorded on Seag's overnight ticker representing, with the double counting effect, most of a 28m share purchase by Lord Rothschild, his family and associates. The seller was Prudential Portfolio Managers, part of Prudential Corp, and the price was 158p a share. Rothschild added 5 at 153p. Prudential slipped 5 to 231p.

Heavy trading in Maxwell Communications, including one block of 9m shares, sent tongues wagging. Goldman Sachs was bidding for the stock for most of the session so traders assumed that the stock had been sold by a UK institution into the US. The weakness of the shares - the price fell 9 1/2 to 174 1/2p - was attributed to detailed comment in the morning press on the company's latest accounts. The possibility of the company becoming involved in the purchase of PowerGen, from the UK Government, did not help.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (25)
BRITISH FUNDS (12) BUNNINGS (2) STONES (1) FOODS (1) INDUSTRIALS (1) COMPUTER (1) PEOPLE (1) EUROPEAN (1) HEALTHCARE (1) NEWS (1) PAPER (1) TRUSTS (1)

NEW LOWS (13)
AMERICANS (2) CANADIANS (4) BANKS (1) BUNNINGS (1) BUILDINGS (1) CHEMICALS (1)

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Six blocks of 9m shares each in J. Rothschild were recorded on Seag's overnight ticker representing, with the double counting effect, most of a 28m share purchase by Lord Rothschild, his family and associates. The seller was Prudential Portfolio Managers, part of Prudential Corp, and the price was 158p a share. Rothschild added 5 at 153p. Prudential slipped 5 to 231p.

Heavy trading in Maxwell Communications, including one block of 9m shares, sent tongues wagging. Goldman Sachs was bidding for the stock for most of the session so traders assumed that the stock had been sold by a UK institution into the US. The weakness of the shares - the price fell 9 1/2 to 174 1/2p - was attributed to detailed comment in the morning press on the company's latest accounts. The possibility of the company becoming involved in the purchase of PowerGen, from the UK Government, did not help.

Enterprise closed 14 lower at 647p, while Lamo was a penny better at 441p.

Clearing banks
Clearing banks jockeyed for position ahead of a series of half-time results due this week. NatWest, reporting today, lost 6 to 325p, Midland, with interest on Thursday, eased 2 to 282p, and Barclays, with interest on Friday, retreated 8 to 388p.

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1990	2000	2010	2020	2030	2040	2050	2060	2070	2080	2090	2100	2110	2120	2130	2140	2150	2160	2170	2180	2190	2200	2210	2220	2230	2240	2250	2260	2270	2280	2290	2300	2310	2320	2330	2340	2350	2360	2370	2380	2390	2400	2410	2420	2430	2440	2450	2460	2470	2480	2490	2500	2510	2520	2530	2540	2550	2560	2570	2580	2590	2600	2610	2620	2630	2640	2650	2660	2670	2680	2690	2700	2710	2720	2730	2740	2750	2760	2770	2780	2790	2800	2810	2820	2830	2840	2850	2860	2870	2880	2890	2900	2910	2920	2930	2940	2950	2960	2970	2980	2990	3000	3010	3020	3030	3040	3050	3060	3070	3080	3090	3100	3110	3120	3130	3140	3150	3160	3170	3180	3190	3200	3210	3220	3230	3240	3250	3260	3270	3280	3290	3300	3310	3320	3330	3340	3350	3360	3370	3380	3390	3400	3410	3420	3430	3440	3450	3460	3470	3480	3490	3500	3510	3520	3530	3540	3550	3560	3570	3580	3590	3600	3610	3620	3630	3640	3650	3660	3670	3680	3690	3700	3710	3720	3730	3740	3750	3760	3770	3780	3790	3800	3810	3820	3830	3840	3850	3860	3870	3880	3890	3900	3910	3920	3930	3940	3950	3960	3970	3980	3990	4000	4010	4020	4030	4040	4050	4060	4070	4080	4090	4100	4110	4120	4130	4140	4150	4160	4170	4180	4190	4200	4210	4220	4230	4240	4250	4260	4270	4280	4290	4300	4310	4320	4330	4340	4350	4360	4370	4380	4390	4400	4410	4420	4430	4440	4450	4460	4470	4480	4490	4500	4510	4520	4530	4540	4550	4560	4570	4580	4590	4600	4610	4620	4630	4640	4650	4660	4670	4680	4690	4700	4710	4720	4730	4740	4750	4760	4770	4780	4790	4800	4810	4820	4830	4840	4850	4860	4870	4880	4890	4900	4910	4920	4930	4940	4950	4960	4970	4980	4990	5000	5010	5020	5030	5040	5050	5060	5070	5080	5090	5100	5110	5120	5130	5140	5150	5160	5170	5180	5190	5200	5210	5220	5230	5240	5250	5260	5270	5280	5290	5300	5310	5320	5330	5340	5350	5360	5370	5380	5390	5400	5410	5420	5430	5440	5450	5460	5470	5480	5490	5500	5510	5520	5530	5540	5550	5560	5570	5580	5590	5600	5610	5620	5630	5640	5650	5660	5670	5680	5690	5700	5710	5720	5730	5740	5750	5760	5770	5780	5790	5800	5810	5820	5830	5840	5850	5860	5870	5880	5890	5900	5910	5920	5930	5940	5950	5960	5970	5980	5990	6000	6010	6020	6030	6040	6050	6060	6070	6080	6090	6100	6110	6120	6130	6140	6150	6160	6170	6180	6190	6200	6210	6220	6230	6240	6250	6260	6270	6280	6290	6300	6310	6320	6330	6340	6350	6360	6370	6380	6390	6400	6410	6420	6430	6440	6450	6460	6470	6480	6490	6500	6510	6520	6530	6540	6550	6560	6570	6580	6590	6600	6610	6620	6630	6640	6650	6660	6670	6680	6690	6700	6710	6720	6730	6740	6750	6760	6770	6780	6790	6800	6810	6820	6830	6840	6850	6860	6870	6880	6890	6900	6910	6920	6930	6940	6950	6960	6970	6980	6990	7000	7010	7020	7030	7040	7050	7060	7070	7080	7090	7100	7110	7120	7130	7140	7150	7160	7170	7180	7190	7200	7210	7220	7230	7240	7250	7260	7270	7280	7290	7300	7310	7320	7330	7340	7350	7360	7370	7380	7390	7400	7410	7420	7430	7440	7450	7460	7470	7480	7490	7500	7510	7520	7530	7540	7550	7560	7570	7580	7590	7600	7610	7620	7630	7640	7650	7660	7670	7680	7690	7700	7710	7720	7730	7740	7750	7760	7770	7780	7790	7800	7810	7820	7830	7840	7850	7860	7870	7880	7890	7900	7910	7920	7930	7940	7950	7960	7970	7980	7990	8000	8010	8020	8030	8040	8050	8060	8070	8080	8090	8100	8110	8120	8130	8140	8150	8160	8170	8180	8190	8200	8210	8220	8230	8240	8250	8260	8270	8280	8290	8300	8310	8320	8330	8340	8350	8360	8370	8380	8390	8400	8410	8420	8430	8440	8450	8460	8470	8480	8490	8500	8510	8520	8530	8540	8550	8560	8570	8580	8590	8600	8610	8620	8630	8640	8650	8660	8670	8680	8690	8700	8710	8720	8730	8740	8750	8760	8770	8780	8790	8800	8810	8820	8830	8840	8850	8860	8870	8880	8890	8900	8910	8920	8930	8940	8950	8960	8970	8980	8990	9000	9010	9020	9030	9040	9050	9060	9070	9080	9090	9100	9110	9120	9130	9140	9150	9160	9170	9180	9190	9200	9210	9220	9230	9240	9250	9260	9270	9280	9290	9300	9310	9320	9330	9340	9350	9360	9370	9380	9390	9400	9410	9420	9430	9440	9450	9460	9470	9480	9490	9500	9510	9520	9530	9540	9550	9560	9570	9580	9590	9600	9610	9620	9630	9640	9650	9660	9670	9680	9690	9700	9710	9720	9730	9740	9750	9760	9770	9780	9790	9800	9810	9820	9830	9840	9850	9860	9870	9880	9890	9900	9910	9920	9930	9940	9950	9960	9970	9980	9990	10000
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88	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	590	589	588	587	586	585	584	583	582	581	580	579	578	577	576	575	574	573	572
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FT MANAGED FUNDS SERVICE[illegible]



MARGED FUNDS NOTES

Prices are in pennies, stated net asset value and designed with no profit refer to U.S. dollars. Yields allow for all buying expenses. Prices of certain funds are based on the net asset value of the fund. Prices are a Distribution free UK tax and a Personal Insurance plan, a Simple premium insurance, a Discretionary Life Insurance as a UCITS (Investment for Collectible Investment) and a Discretionary Life Insurance. Incident all expenses (except agent's commission). Previous day's price at Germany prices. \$2.00. Yield before tax price at 1% - 2% - 3% - 4% - 5% - 6% - 7% - 8% - 9% - 10% - 11% - 12% - 13% - 14% - 15% - 16% - 17% - 18% - 19% - 20% - 21% - 22% - 23% - 24% - 25% - 26% - 27% - 28% - 29% - 30% - 31% - 32% - 33% - 34% - 35% - 36% - 37% - 38% - 39% - 40% - 41% - 42% - 43% - 44% - 45% - 46% - 47% - 48% - 49% - 50% - 51% - 52% - 53% - 54% - 55% - 56% - 57% - 58% - 59% - 60% - 61% - 62% - 63% - 64% - 65% - 66% - 67% - 68% - 69% - 70% - 71% - 72% - 73% - 74% - 75% - 76% - 77% - 78% - 79% - 80% - 81% - 82% - 83% - 84% - 85% - 86% - 87% - 88% - 89% - 90% - 91% - 92% - 93% - 94% - 95% - 96% - 97% - 98% - 99% - 100% - 101% - 102% - 103% - 104% - 105% - 106% - 107% - 108% - 109% - 110% - 111% - 112% - 113% - 114% - 115% - 116% - 117% - 118% - 119% - 120% - 121% - 122% - 123% - 124% - 125% - 126% - 127% - 128% - 129% - 130% - 131% - 132% - 133% - 134% - 135% - 136% - 137% - 138% - 139% - 140% - 141% - 142% - 143% - 144% - 145% - 146% - 147% - 148% - 149% - 150% - 151% - 152% - 153% - 154% - 155% - 156% - 157% - 158% - 159% - 160% - 161% - 162% - 163% - 164% - 165% - 166% - 167% - 168% - 169% - 170% - 171% - 172% - 173% - 174% - 175% - 176% - 177% - 178% - 179% - 180% - 181% - 182% - 183% - 184% - 185% - 186% - 187% - 188% - 189% - 190% - 191% - 192% - 193% - 194% - 195% - 196% - 197% - 198% - 199% - 200% - 201% - 202% - 203% - 204% - 205% - 206% - 207% - 208% - 209% - 210% - 211% - 212% - 213% - 214% - 215% - 216% - 217% - 218% - 219% - 220% - 221% - 222% - 223% - 224% - 225% - 226% - 227% - 228% - 229% - 230% - 231% - 232% - 233% - 234% - 235% - 236% - 237% - 238% - 239% - 240% - 241% - 242% - 243% - 244% - 245% - 246% - 247% - 248% - 249% - 250% - 251% - 252% - 253% - 254% - 255% - 256% - 257% - 258% - 259% - 260% - 261% - 262% - 263% - 264% - 265% - 266% - 267% - 268% - 269% - 270% - 271% - 272% - 273% - 274% - 275% - 276% - 277% - 278% - 279% - 280% - 281% - 282% - 283% - 284% - 285% - 286% - 287% - 288% - 289% - 290% - 291% - 292% - 293% - 294% - 295% - 296% - 297% - 298% - 299% - 300% - 301% - 302% - 303% - 304% - 305% - 306% - 307% - 308% - 309% - 310% - 311% - 312% - 313% - 314% - 315% - 316% - 317% - 318% - 319% - 320% - 321% - 322% - 323% - 324% - 325% - 326% - 327% - 328% - 329% - 330% - 331% - 332% - 333% - 334% - 335% - 336% - 337% - 338% - 339% - 340% - 341% - 342% - 343% - 344% - 345% - 346% - 347% - 348% - 349% - 350% - 351% - 352% - 353% - 354% - 355% - 356% - 357% - 358% - 359% - 360% - 361% - 362% - 363% - 364% - 365% - 366% - 367% - 368% - 369% - 370% - 371% - 372% - 373% - 374% - 375% - 376% - 377% - 378% - 379% - 380% - 381% - 382% - 383% - 384% - 385% - 386% - 387% - 388% - 389% - 390% - 391% - 392% - 393% - 394% - 395% - 396% - 397% - 398% - 399% - 400% - 401% - 402% - 403% - 404% - 405% - 406% - 407% - 408% - 409% - 410% - 411% - 412% - 413% - 414% - 415% - 416% - 417% - 418% - 419% - 420% - 421% - 422% - 423% - 424% - 425% - 426% - 427% - 428% - 429% - 430% - 431% - 432% - 433% - 434% - 435% - 436% - 437% - 438% - 439% - 440% - 441% - 442% - 443% - 444% - 445% - 446% - 447% - 448% - 449% - 450% - 451% - 452% - 453% - 454% - 455% - 456% - 457% - 458% - 459% - 460% - 461% - 462% - 463% - 464% - 465% - 466% - 467% - 468% - 469% - 470% - 471% - 472% - 473% - 474% - 475% - 476% - 477% - 478% - 479% - 480% - 481% - 482% - 483% - 484% - 485% - 486% - 487% - 488% - 489% - 490% - 491% - 492% - 493% - 494% - 495% - 496% - 497% - 498% - 499% - 500% - 501% - 502% - 503% - 504% - 505% - 506% - 507% - 508% - 509% - 510% - 511% - 512% - 513% - 514% - 515% - 516% - 517% - 518% - 519% - 520% - 521% - 522% - 523% - 524% - 525% - 526% - 527% - 528% - 529% - 530% - 531% - 532% - 533% - 534% - 535% - 536% - 537% - 538% - 539% - 540% - 541% - 542% - 543% - 544% - 545% - 546% - 547% - 548% - 549% - 550% - 551% - 552% - 553% - 554% - 555% - 556% - 557% - 558% - 559% - 560% - 561% - 562% - 563% - 564% - 565% - 566% - 567% - 568% - 569% - 570% - 571% - 572% - 573% - 574% - 575% - 576% - 577% - 578% - 579% - 580% - 581% - 582% - 583% - 584% - 585% - 586% - 587% - 588% - 589% - 590% - 591% - 592% - 593% - 594% - 595% - 596% - 597% - 598% - 599% - 600% - 601% - 602% - 603% - 604% - 605% - 606% - 607% - 608% - 609% - 610% - 611% - 612% - 613% - 614% - 615% - 616% - 617% - 618% - 619% - 620% - 621% - 622% - 623% - 624% - 625% - 626% - 627% - 628% - 629% - 630% - 631% - 632% - 633% - 634% - 635% - 636% - 637% - 638% - 639% - 640% - 641% - 642% - 643% - 644% - 645% - 646% - 647% - 648% - 649% - 650% - 651% - 652% - 653% - 654% - 655% - 656% - 657% - 658% - 659% - 660% - 661% - 662% - 663% - 664% - 665% - 666% - 667% - 668% - 669% - 670% - 671% - 672% - 673% - 674% - 675% - 676% - 677% - 678% - 679

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on Page 45

NASDAQ NATIONAL MARKET[illegible]

No FT?

No problem in Japan.

Keeping up with the news when you travel to the Far East used to be something of a challenge. The world seldom stands still. These days, in fact, just a few hours can be enough to change history for ever.

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If you're a resident, we'll hand-deliver the FT to your office in central Tokyo, first thing every day.

AMERICA

Dow rebounds after depression over UAL

Wall Street

FRESH SIGNS of trouble with the proposed buy-out of UAL together with worries about the weakness of the US economy and poor corporate profitability, sent the equity market lower yesterday, but a late recovery in blue chips left the Dow Jones Industrial Average higher on balance, writes Janet Bush in New York.

The broad-based Standard & Poor's 500, far more representative of the market than the 30 shares in the Dow blue chip indicator, was quoted 2.22 down at the close at 351.22.

The Dow Industrial, which traded more than 20 points lower during the morning session, closed a net 18.81 up at 2,917.32 after the late surge. New York SE volume totalled a

moderate 147m shares, while declines still led gains at the finish by 792 to 710. On Friday, the Dow fell 32 points to 2,885.51, its lowest close of the month and more than 100 points under its peak level of a fortnight ago.

The Nasdaq Composite of over-the-counter issues rallied from a loss of nearly 5 points to close a net 3.22 off at 439.37. The over-the-counter market was put under pressure by weak technology issues, but these recovered from their lows. Microsoft led 51 at \$68.

The Dow Jones Transportation index fell 5.67 to 1,125.00, partly reflecting weakness in UAL, which was 56% lower at \$156.4. It appeared that Chemical Bank, one of the five lead banks for the proposed \$4.38bn buy-out of the parent company of United Airlines, has with-

drawn from its involvement, although it seemed yesterday that the bank could be persuaded back in again.

These reports of another setback with the UAL deal prompted selling of other airline stocks. AMR, the parent of American Airlines, shed \$1 to \$56.4 and Delta eased \$4 to \$64.4.

UAL's history with the stock market made conditions nervous - the collapse of the original buy-out triggered the mini-crash last October. Investors were already on the defensive over Friday's weak gross national product figures for the second quarter.

A number of well-known stock market newsletters have turned negative on prospects, citing a deterioration in the economy. Mr Martin Zweig of the Zweig Forecast said he was

queasy about the economy and was advising his subscribers to keep only about 40 per cent of their money in stocks.

Growth stocks, which were largely responsible for the Dow's rise to nearly 3,000, seem recently to have fallen from favour, although some rebounded yesterday. Mr Zweig said he had sold Procter & Gamble shares recently because they had reached a multiple of 30 times earnings. Procter was 3% lower during the morning, but recovered to close 3% ahead on the day at \$89.74. PepsiCo was down 1% to \$70.74. Coca-Cola rallied 3% to \$45.74, and McDonalds shed 5% before closing a net 3% up at \$32.

Oil issues continued to defy the market's weak performance, rising in the wake of last week's Opec agreement to set a high target price for crude oil. Rising oil issues supported the Dow. Chevron gained \$14 to \$72.

Canada

THE TORONTO market also showed some recovery from early ease after a lacklustre session.

The composite index lost just 1.18 on the day at 3,540.74 and declines held a narrow 264 to 232 advantage over advances at the finish after a volume of 15.3m shares. Standard Trustco fell 31% to \$316. The company said it has commissioned an audit of its six-month results after discussions with regulators. The audit will include appraisals of the security, particularly real estate, on loans held by its Standard Trust unit.

EUROPE

Oslo hits record in busy trade after Opec accord

THE WEAKNESS of Tokyo and Wall Street continued to drain energy from most bourses yesterday, although optimism about the oil price lifted Norway to an all-time peak and the Ferruzzi group merger enlivened Italy, writes Our Markets Staff.

Oslo hit a record, propelled higher by demand for oil stocks and for Norsk Hydro in particular after the Opec agreement. The all-share index gained 5.55 to 652.50, passing the previous record of 650.50 set on March 16, in busy turnover of NRK357m.

Norsk Hydro, which had been active in New York on Friday night, gained NK4 to NK211 in trading worth NRK61m. Investors' confidence about the outlook for the oil price outweighed disappointment with the company's results last week, which were at the low end of expectations.

Hafslund Nymed, the pharmaceuticals and energy slipped NK1 to NK175 after announcing a rise in first-half profits in line with expectations.

FRANKFURT had one of its quietest days this year, mainly due to the summer lull, as first-half results from Dresdner Bank and Bayerische Vereinsbank failed to give the market new direction. From a technical point of view, the DAX was approaching the 1,900 level, which some traders expected would offer some support. Volume dropped to DM4.2bn from DM5.5bn on Friday. The DAX index eased 8.12 to 1,811.69 and the FAZ index, calculated at mid-session, fell 4.81 to 812.19.

Dresdner Bank, which reported a rise in first-half group partial operating profit to DM956m from DM878m, on the low side of expectations, fell DM4 to DM451.50. Bayern-Veren eased DM2 to DM437 after reporting a rise in group partial operating profit to DM421m from DM400m.

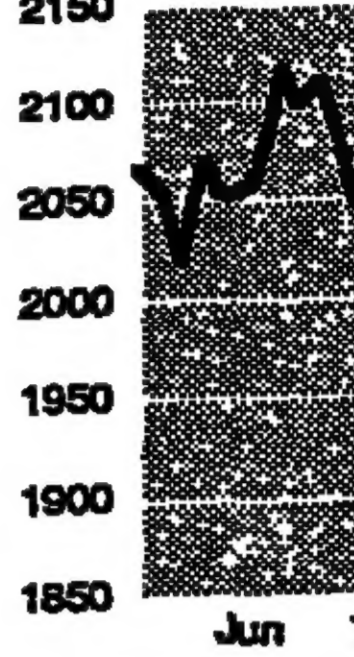
MILAN gave a warm welcome to Mr Raul Gardini's merger of Montedison and Ferruzzi Agricola Finanziaria, the terms of which appeared to treat all shareholders equally. The restructuring was judged to be particularly helpful for Montedison: its earnings from chemical operations would be future be balanced by the anti-cyclical earnings from Ferruzzi

THE ISTANBUL Stock Exchange (IMKB) index yesterday closed above the psychological 5,000 mark for the first time, writes Jim Bodgener in Ankara. It had been hovering near that level all last week, and broke through it temporarily during Friday's trading. Brokers and IMKB officials said that this augured well for the market, which has been in a steady bull phase since the spring.

The index stood at 5,164, up 177, towards the close yesterday on a trading volume of TL110bn (\$41m). In spite of the volatile share prices, the increasing volumes indicated a healthy depth and breadth to trading, most brokers agreed.

Montedison

Share price (Lira)



with its certificates down FF3.50 at FF424, and Soderco, the restaurant and catering company, dropped FF28 to FF571 after disappointing investors with its profits forecast on Friday.

Strafor, the diversified furniture maker, lost FF20 to FF1,300 in an exceptionally heavy volume of 173,800 shares with one block trade of 170,000 at FF1,300 each.

AMSTERDAM treaded water in the run-up to the second quarter results season; some stocks fell heavily as sell orders hit a very thin market. The CBS Tendency index lost 0.9 to 116.7. Pakbeed, the transport and storage group, was one of the day's main casualties, falling FF1.20 or 3.5 per cent to FF121 on continued profit-taking after the stock reached a high for the year of FF127.50 last week.

ZURICH recovered partially from the day's lull as some buying interest emerged, but volume remained thin. The Credit Suisse index fell 4.3 to close at 651.8.

Chemicals, insurers and banks were mostly easier while machinery was steady. Against the trend, Nestlé bearers were SF40 firmer at SF8.57 while the company's registered shares shed SF30 to SF8.230. Nestlé is due to announce its first half results this week.

MADRID fell further in quiet trade. Construction stock Uriza lost Ptas90 to Ptas465.

SOUTH AFRICA

GOLD SHARES drifted lower in lifeless trading. The JSE all-gold index fell 18 to 1,536 and the overall share index shed 8 to 3,130. Veeva Beers shed a modest 25 cents to R94.65.

ASIA PACIFIC

Nikkei follows bonds lower in thin trading

Tokyo

TOKYO SUFFERED its seventh consecutive loss yesterday as a sharp decline in bond prices and continued unwinding of arbitrage positions sent share prices falling across the board, writes Michio Nakamoto in Tokyo.

The Nikkei average lost 420.53 to 30,442.95, bringing the combined fall of the past seven sessions to 2,612 points, or nearly 8 per cent.

Investors appear to have decided to take summer holidays earlier than usual this year - yesterday's fall came amid a lack of activity. Volume fell from Friday's 450m to 250m, about a quarter of that seen on more buoyant days.

During the day, the Nikkei moved on a mostly downward course from a high of 30,846.49 to a low of 30,296.55. Losses outpaced gains by 790 to 188, with 151 issues unchanged. The Toxix index of all listed stocks lost 23.97 to 2,255.29 and, in London trading, the ISE/Nikkei 50 index receded 4.29 to 1,564.96.

In the absence of investors, the considerable amount of arbitrage selling that hit the market during the day had a significant effect on investor sentiment. The yen's advance

alone offered cheer yesterday.

At the same time, reports that more than 10 securities firms and one leading bank had compensated their major clients for losses incurred during the stock market crash of 1987 have aroused deep resentment among many smaller investors. "The system is made to benefit the large companies," an individual investor commented over the weekend.

A Japanese broker said: "The most frightening thing would be if individual investors were put off on a wide scale." He warned that "if that happens, the Nikkei could easily fall below 30,000."

Financials suffered further losses. Mitsu, Taiyo Kobe, the bank that was created after the merger of Mitsu Bank and Taiyo Kobe Bank in April this year, declined Y90 to Y1,930. Mitsu Bank admitted on Friday that it had compensated a major client for losses incurred in the 1987 crash.

The only buying interest was concentrated in issues supported by special incentives. Fuji Heavy Industries, an automaker affiliated with Nissan Motor, topped the active list with 10.5m shares traded and added Y8 to Y785. Investors favoured the prospect of better business performance with the increased management support

expected from Nissan, its largest shareholder.

Manufacturers of light metal were pursued on speculation that demand for their product from carmakers would increase. Nippon Light Metal, second in volume with 8.4m shares, rose Y30 to an intraday high of Y1,200 but then fell unchanged at Y1,170. Sumitomo Light Metal, third in volume with 6.9m shares, advanced Y27 to Y867.

The dollar's decline put a dampener on high-technology exporters, but blue chip electronics such as Toshiba and Hitachi showed resilience. Toshiba put on Y10 to Y1,020 and Hitachi gained Y20 to Y1,410. While it was unlikely that there would be a summer rally, if there were one, investors were likely to find this sector relatively attractive, said Mr Mitsuru Maekawa at Jardine Fleming.

Elsewhere, Yuasa Battery climbed Y80 to Y1,290 on the news that it had developed the world's thinnest paper lithium battery. Nissan Construction, a medium-sized construction company, rose Y40 to Y1,730 on expectations that it would post a 17 per cent increase in pre-tax profits to a second consecutive record in the year to March, 1991.

Investors stayed away from the Osaka market, where the OSE average lost 235.82 to 34,611.50 in lacklustre trading. Turnover dropped to 23m shares from Friday's 32m.

Roundup

IT WAS a good day yesterday for Taiwan, the Philippines and India, while other markets were mostly weak.

TAIWAN rose past the 5,500 resistance level on the weighted index, ending 155.17, or 2.9 per cent, ahead at 5,597.29, after gaining 39.58 on Saturday. Turnover was T\$87.57bn, up from Saturday's T\$82.51bn, with small investors active in financial stocks.

MANILA advanced in confidence trading, the composite index gaining 12.06 to 936.63. Investors hope that industry, and construction in particular, will benefit from a Government plan to seek debt relief and rehabilitation funds after the recent earthquake.

BOMBAY jumped 5.4 per cent to another record. The BSE index moved up 65.80 to 1,088.95 and the national index rose 27.82 to 558.69. State-owned investment institutions sold in an attempt to stop the market overheating, but failed to interrupt the rally.

SEOUL eased to a year's low in light business. The compos-

ite index lost 4.94 to 673.80 in trading worth Won33bn, after rising on Saturday in turnover of Won63bn on hopes of market-busting measures, which failed to occur yesterday.

BANGKOK retreated after recent gains, with the SET index losing 15.49 to 1,126.85 in moderate trade. Political uncertainty and a conflict over a dam development provided excuses for a correction.

HONG KONG also consolidated after recent advances. The Hang Seng index lost 40.39 to 3,445.41 in turnover of HK\$1.55bn, down from last Friday's HK\$1.89bn. BCL formed 5 cents to HK\$2.65 on plans by Chung Wah Shipbuilding to place 6m new shares with it.

AUSTRALIA weakened but partially recovered later in quiet trading. Fears of a bad June quarter consumer prices index, due tomorrow, kept investors away. The All Ordinaries index lost a net 12.6 to 1,563.4 in turnover of A\$14m, down from A\$368m.

Elders IXL fell to A\$1.58 before closing at A\$1.63, down 4 cents amid concern that bankers might not allow it more time for restructuring.

NEW ZEALAND eased in light turnover, with the Barclays index closing off 21.76 at 1,793.56. Turnover dropped to NZ\$11m from NZ\$23m.

World index falls in gloomy week

MARKETS IN PERSPECTIVE

	% change in local currency			% change sterling	% change in US\$
	1 Week	4 Weeks	1 Year	Start of 1980	Start of 1980
Austria	-0.08	+5.42	+89.04	+47.41	+54.11
Belgium	+0.68	+2.15	+0.38	-4.30	+2.31
Denmark	-0.16	+3.68	+8.42	+8.25	+13.58
Finland	-1.37	+3.63	-16.00	-5.52	+0.79
France	-2.95	-3.78	+4.35	-4.20	+2.49
W. Germany	-1.21	+3.11	+25.89	+9.62	+14.85
Ireland	-2.76	-3.51	+3.00	-2.93	+3.82
Italy	-2.26	-4.44	+1.03	+1.23	+8.63
Netherlands	-2.43	-0.25	-2.16	-3.58	+1.22
Norway	+1.74	+6.69	+27.13	+21.94	+28.92
Spain	-2.88	+1.34	-1.57	-0.82	+9.93
Sweden	-0.75	-0.08	+15.83	+13.95	+19.89
Switzerland	-3.56	-2.83	+0.85	-0.16	+12.67
UK	-2.53	-2.01	-0.19	-4.26	+8.92
EUROPE	-2.21	-1.01	+5.05	-0.33	+9.13
Australia	-1.68	+4.64	-0.46	-2.41	-2.56
Hong Kong	-1.37	+6.34	+38.04	+22.83	+23.49
Japan	-5.32	-4.92	-18.85	-24.90	-27.82
Malaysia	-0.01	+8.47	+34.85	+8.31	+8.97
New Zealand	-1.08	+3.11	-18.19	-18.19	-6.30
Singapore	-1.06	+2.68	+16.82	+12.49	+17.50
Canada	-0.96	+0.23	-9.00	-8.80	-8.32
USA	-2.33	+1.42	-2.53	-0.30	-0.30
Mexico	+1.66	+13.03	+134.50	+83.14	+71.44
South Africa	+3.59	+2.37	+16.67	+5.18	-4.87
WORLD INDEX	-3.21	-2.25	-5.17	-10.10	-6.59

1 Based on July 27th 1990. Copyright: The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Ltd

By Antonia Sharpe

FALLS in Tokyo and the US last week dampened the spirits of most other markets across the globe, and pushed the FT-Actuaries World Index down 3.31 per cent in local currency terms.

In Tokyo, fears of higher interest rates, fanned by comments by Mr Yasuhiro Mieno, the Bank of Japan Governor, which hinted at credit tightening, and reports of investigations into alleged tax evasion by leading brokers, helped lead to widespread selling. Market sentiment was also rattled by weakness in NTT, which fell to a record low of Yim. In local currency terms, Japan has fallen 5.32 per cent on the week and 24.90 per cent since the start of the year.

Mr Fawaz Fadallah at Nomura Equity Research says in his Tokyo outlook that the market's significant weakening on this volume was reminiscent of falls witnessed earlier this year. The market also looked vulnerable from a technical point of view, after the Nikkei index broke through

the support level which it had established on its rebound from its lows in April.

In Europe, the poorest performer was Switzerland, which fell 3.56 per cent in local currency terms. Ms Mickie Scupin of Kleinwort Benson Securities says concerns about Nestlé's first-half results, due to be published soon, drove the market lower. Recent first-half results from the banking and chemical sector have been below expectations. Furthermore, a possible resurgence in inflation following the recent rise in energy prices has raised hopes of an early reduction in interest rates.

In the Pacific Rim, New Zealand was disappointed by the Government's 1990/91 budget, which was widely seen as having been drawn up with this year's general elections in mind. Failure to produce a genuine fiscal surplus and the budget's indication that this would continue next year if there was no policy change were the main areas of focus, comments JB Were and Son.

The stock market fell 3.78 per cent on the week in local currency terms.

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 30 1990										FRIDAY JULY 27 1990										DOLLAR INDEX			
	US Dollar Index	Day's Change %	Point	Settling Index	Yen Index	DM Index	Local Currency Index	% Chg on day	Gross Div. Yield	US Dollar Index	Day's Change %	Point	Settling Index	Yen Index	DM Index	Local Currency Index	1989 High	1990 Low	Year ago reported					
Figures in parentheses show number of lines of stock																								
Australia (80)	146.88	-0.4	118.05	137.58	122.82	123.37	-0.8	5.85	147.50	119.21	139.48	123.81	124.35	158.81	126.85	142.22								
Austria (19)	279.83	-0.4	224.80	235.86	233.32	-0.3	3.84	242.50	228.59	265.83	-0.5	3.84	235.00	236.75	298.53	133.15	129.51							
Belgium (61)	158.35	+0.1	127.28	148.33	132.42	129.26	-0.5	4.48	158.24	127.89	149.63	132.82	129.95	180.02	132.11	134.98								
Canada (119)	139.50	+0.0	112.13	130.67	116.85	115.42	+0.0	3.48	139.52	112.75	131.92	117.10	115.43	153.51	130.57	149.83								
Denmark (33)	275.12	+0.0	221.14	257.74	230.07	229.87	-0.3	1.28	275.12	222.35	260.17	230.93	230.31	275.12	236.98	216.13								
Finland (26)	193.99	+1.7	109.79	127.57	114.28	110.12	+1.2	2.63	194.34	108.58	127.05	112.77	108.65	152.29	129.99	144.33								
France (124)	159.61	-0.2	128.29	146.51	133.46	134.55	-0.5	3.03	159.61	129.23	151.20	134.21	135.64	188.85	141.69	131.61								
West Germany (82)	141.77	-0.2	115.55	132.63	118.55	116.65	-0.6	1.90	142.09	114.84	134.39	119.27	119.27	142.33	122.05	97.17								
Hong Kong (48)	143.05	-1.1	114.98	134.01	119.63	142.59	-1.1	4.43	144.64	116.90	136.78	121.41	144.17	147.49	112.24	107.88								
Ireland (17)	185.26	-1.1	148.78	174.57	155.83	157.75	-1.3	2.76	188.47	152.32	173.23	158.20	159.84	198.57	172.72	158.34								
Italy (86)	108.82	-0.1	85.95	100.05	86.33	83.96	-0.5	2.20	108.92	85.41	101.10	86.74	94.38	109.28	81.85	83.26								
Japan (464)	142.32	-0.1	114.39	133.52	118.38	116.32	-0.1	1.63	142.48	116.16	134.75	118.62	114.76	157.26	124.40	101.43								
Netherlands (43)	259.25	+0.3	201.23	232.40	202.40	202.40	-0.3	1.80	259.25	201.19	230.19	202.19	202.19	259.25	201.19	188.43								
Mexico (13)	552.01	-1.1	443.70	517.12	462.61	478.70	-0.8	0.30	557.99	450.95	527.85	483.98	4753.06	561.41	330.43	298.22								
Norway (23)	145.98	+0.2	117.32	136.73	122.06	120.84	-0.1	4.57	145.64	117.70	137.72	122.25	121.01	147.41	130.43	128.86								
New Zealand (17)	89.41	-1.0	63.38	62.21	55.45	59.58	-1.3	7.38	87.10	54.23	63.46	58.33	59.38	73.39	69.57	68.40								
Sweden (34)	261.15	+1.4	209.91	244.65	219.59	219.94	+0.8	1.44	257.65	208.23	245.65	216.27	218.13	261.15	202.34	186.59								
Switzerland (58)	208.05	-0.5	167.23	194.50	173.56	173.33	-0.5	2.08	203.21	168.93	174.77	174.44	202.24	173.70	170.43	168.43								
South Africa (50)	195.53	-0.8	140.13	173.80	155.15	159.38	-0.4	3.54	195.95	151.10	178.80	158.93	159.55	251.39	170.00	147.16								
Spain (42)	176.95	-1.3	122.23	165.77	147.77	132.65	-1.2	1.14	179.28	144.89	160.48	150.48	134.92	162.25	132.64	155.96								
Sweden (34)	229.00	-0.4	184.07	214.33	191.51	199.00	-0.8	2.30	229.87	185.78	217.38	192.95	200.01	232.74	173.89	184.33								
Switzerland (58)	105.49	-0.4	87.79	96.83	89.23	89.24	-0.6	2.03	105.68	85.58	100.14	88.90	88.91	108.77	88.75	87.45								
United Kingdom (300)	145.49	-0.3	115.55	135.14	121.50	121.50	-0.3	1.73	145.98	115.33	135.33	121.53	121.53	145.98	115.33	121.53								
USA (333)	143.36	+0.5	115.23	134.30	119.39	118.36	+0.5	3.41	142.62	115.27	134.88	119.72	142.62	149.95	130.61	140.76								
Europe (981)	155.16	-0.1	124.71	145.95	129.76	127.21	-0.6	3.61	155.38	125.58	146.94	130.43	127.92	156.69	135.67	131.01								
Europe (981)	219.45	+0.1	173.39	205.58	183.52	178.36	-0.8	0.80	219.30	173.23	207.38	184.07	179.53	219.45	185.01	175.83								
Pacific Basin (665)	142.43	-0.2	114.48	133.44	117.41	113.06	-0.1	0.96	142.67	115.30	134.91	119.75	134.46	192.75	136.23	168.21								
Euro-Pacific (140)	148.00	-0.2	118.96	136.83	123.76	131.48	-0.8	2.10	148.23	118.79	140.16	124.41	132.67	174.13	131.35	165.42								
North America (658)	143.02	+0.5	114.98	134.00	118.83	141.58	+0.6	3.40	142.34	115.03	134.82	119.50	140.90	148.48	130.02	141.18								
Europe Excl. Japan (205)	147.18	-0.2	115.55	132.63	118.55	116.65	-0.6	1.90	147.41	115.55	132.63	118.55	116.65	147.41	115.55	116.65								
Europe Excl. Japan (205)	142.85	-0.8	114.90	133.53	119.55	126.45	-0.8	0.67	143.84	114.25	135.04	120.75	127.54	146.72	122.53	125.69								
World Ex. US (1532)	148.32	-0.2	119.21	138.95	124.03	121.61	-0.8	2.16	148.55	120.06	140.49	127.74	132.71	173.77	131.30	168.77								
World Ex. UK (2068)	142.78	+0.1	114.75	133.75	119.40	135.00	-0.3	2.31	142.65	115.29	134.91	119.79	135.48	182.00	130.80	184.81								
World Ex. US Al. (2311)	148.19	+0.1	116.70	136.02	121.42	135.19	-0.4	2.67	148.08	117.25	137.21	121.49	135.67	181.04	131.55	155.15								
World Ex. Japan (1917)	146.40	+0.2	116.95	135.14	121.50	125.54	+0.0	3.35	146.25	116.95	135.14	121.50	125.54	146.40	116.95	125.54								
The World Index (2371)	145.43	+0.1	116.90	136.24	121.58	135.35	+0.4	2.68	145.83	117.46	137.44	122.00	135.84	162.05	132.25	155.09								